

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2025

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 Number: 001-40842



Valens Semiconductor Ltd.
(Exact name of Registrant as specified in its charter)

Not applicable

(Translation of Registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

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Hod Hasharon 4501309 Israel
+972 (9) 762-6900
(Address of principal executive offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares, no par value	VLN	The New York Stock Exchange
Warrants to purchase ordinary shares	VLNW	The New York Stock Exchange

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the shell company report:

As of December 31, 2025, the issuer had 103,050,266 Ordinary Shares, no par value, outstanding and 18,160,000 warrants to purchase Ordinary Shares, no par value.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

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

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

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

U.S. GAAP ☒

International Financial Reporting Standards as issue by the
International Accounting Standards Board ☐

Other ☐

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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INTRODUCTORY NOTE

Unless otherwise stated or unless the context otherwise requires, the terms “Company,” “the registrant,” “our company,” “the company,” “we,” “us,” “our,” “ours,” and “Valens” as used in this annual report on Form 20-F (this “Form 20-F” or “Annual Report”) refer to Valens Semiconductor Ltd., a company organized under the laws of the State of Israel.

This annual report contains estimates, projections and other information concerning our industry and our business, as well as data regarding market research, estimates and forecasts prepared by our management. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those discussed under the headings “Special Note Regarding Forward-Looking Statements” and Item 3.D. “Risk Factors” in this annual report.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP” or “U.S. GAAP”). We present our combined financial statements in U.S. dollars (“U.S. dollars”, “USD”, “US\$” or “\$”).

Our fiscal year ends on December 31 of each year. References to “fiscal year 2023” and “2023” are references to the fiscal year ended December 31, 2023, references to “fiscal year 2024” and “2024” are references to the fiscal year ended December 31, 2024, and references to “fiscal year 2025” and “2025” are references to the fiscal year ended December 31, 2025.

All references in this Annual Report to “Israeli currency” and “NIS” refer to New Israeli Shekels, the terms “dollar,” “USD” or “\$” refer to U.S. dollars.

TRADEMARKS

We have proprietary rights to trademarks, trade names and service marks used in this Annual Report that are important to our business, many of which are registered under applicable intellectual property laws. Solely for convenience, trademarks, trade names and service marks referred to in this Annual Report may appear without the “®” or “™” symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent possible under applicable law, our rights or the rights of the applicable licensor to these trademarks, trade names and service marks. We do not intend our use or display of other companies’ trademarks, trade names or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies. Each trademark, trade name or service mark of any other company appearing in this Annual Report is the property of its respective holder.

MARKET INFORMATION

This Annual Report contains industry and market data, including market sizing estimates, growth and other projections and information regarding our competitive position, prepared by our management on the basis of industry sources and our management’s knowledge of and experience in the industry and markets in which we operate (including management’s estimates and assumptions relating to such industry and markets based on that knowledge). Our management has developed its knowledge of such industries and markets through its experience and participation in these markets.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

Certain statements in this Annual Report may constitute “forward-looking statements” for purposes of the federal securities laws. Valens’ forward-looking statements include, but are not limited to, statements regarding Valens or its management team’s expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “appear,” “approximate,” “believe,” “continue,” “could,” “estimate,” “expect,” “foresee,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “seek,” “should,” “would” and similar expressions (or the negative version of such words or expressions) may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Annual Report may include, for example, statements about:

Forward-looking statements involve a number of risks, uncertainties and assumptions, and actual results or events may differ materially from those projected or implied in those statements. Important factors that could cause such differences include, but are not limited to:

- The cyclical nature of the semiconductor industry;
- Global political and economic uncertainty, including with respect to China-Taiwan relations;
- Competition in the semiconductor industry, and the failure to introduce new technologies and products in a timely manner to compete successfully against competitors;
- If Valens fails to adjust its supply chain volume due to changing market conditions or fails to estimate its customers’ demand;
- Disruptions in relationships with any one of Valens’ key customers;
- Any difficulty selling Valens’ products if customers do not design its products into their product offerings;
- Valens’ dependence on winning selection processes;
- Even if Valens succeeds in winning selection processes for its products, Valens may not generate timely or sufficient net sales or margins from those wins;
- Sustained yield problems or other delays in the manufacturing process of products;
- Valens’ ability to effectively manage, invest in, grow, and retain its sales force, research and development capabilities, marketing team and other key personnel;
- Valens’ ability to timely adjust product prices to customers following price increase by the supply chain;
- Valens’ ability to adjust our inventory level due to sudden reduction in demand due to inventory buffers accrued by customers;
- Valens’ expectations regarding the outcome of any future litigation in which we are named as a party;
- Valens’ ability to adequately obtain, maintain, protect, defend and enforce our intellectual property and proprietary rights;
- The market price and trading volume of Valens Ordinary Shares may be volatile and could decline significantly;
- Political, economic, governmental and tax consequences associated with our incorporation and location in Israel; and
- The other matters described in the section titled “Risk Factors”.

Some of these factors are discussed in more detail in this Annual Report, including under “Part I, Item 3. Key Information-D. Risk Factors,” “Part I, Item 4. Information on the Company” and “Part I, Item 5. Operating and Financial Review and Prospects.”

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 that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. All forward-looking statements in this Annual Report speak as of the date of those statements.

Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report, to conform these statements to actual results or to changes in our expectations.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. DIRECTORS AND SENIOR MANAGEMENT

Not applicable.

B. ADVISERS

Not applicable.

C. AUDITORS

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

An investment in our securities involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, prospects, financial condition, or operating results could be harmed by any of these risks, as well as other risks not known to us or that we consider immaterial as of the date of this Annual Report. The trading price of our securities could decline due to any of these risks, and, as a result, you may lose all or part of your investment. Set forth below is a summary of some of the principal risks we face:

- The cyclical nature of the semiconductor industry;
- Geopolitical tensions as a result of our location in Israel;
- Global political and economic uncertainty, including with respect to China-Taiwan relations;
- Competition in the semiconductor industry, and the failure to introduce new technologies and products in a timely manner to compete successfully with competitors;
- If Valens fails to adjust its supply chain volume due to changing market conditions or fails to estimate its customers' demand;
- Disruptions in relationships with any one of Valens' key customers and/or suppliers;
- Any difficulty selling Valens' products if customers do not design our products into their product offerings;
- Valens' dependence on winning selection processes;
- Even if Valens succeeds in winning selection processes for its products, Valens may not generate timely or sufficient net sales or margins from those wins;
- Sustained yield problems or other delays in the manufacturing process of products;
- Any difficulty adequately obtaining, maintaining, protecting, defending or enforcing Valens' intellectual property rights or commercializing our products without infringing, misappropriating or otherwise violating the intellectual property rights of others; and
- Cyber-attacks or other disruptions to or breaches of Valens' information technology, systems or networks.

Risks Related to Our Business and Industry

The semiconductor industry is highly cyclical.

The semiconductor industry is highly cyclical and is characterized by significant and often rapid fluctuations in product supply and demand. The industry has, from time to time, experienced significant downturns, frequently associated excess manufacturing capacity, maturing product cycles of semiconductor companies and their customers, inventory corrections, and deteriorating macroeconomic conditions, as well as constant and rapid technological change and evolving standards. Those in turn may result in rapid product obsolescence, price erosion, short product life cycles and extensive fluctuations in product supply and demand as a result of volatility across end markets. If we expand our operations and workforce too rapidly, procure excessive resources or increase inventory levels in anticipation of increased demand for our products, and that demand does not materialize at the pace at which we expect, or declines, or if we are unable to adjust our cost structure quickly during periods of reduced demand, our operating results may be adversely affected due to increased operating expenses, reduced margins, underutilization of capacity or asset impairment charges.

The semiconductor industry has experienced downturns in the past and may experience such downturns in the future.

We experienced this in 2024 when our customers entered into the year with high inventory levels. This, together with rising inflation and interest rates caused our customers to take a more cautious approach in building their inventory, while inventory digestion pace was relatively small. While 2025 reflects a recovery from that period, there can be no assurance regarding the timing, duration, or magnitude of future recoveries from downturn periods.

Conversely, significant upturns can cause us to be unable to satisfy demand in a timely and cost-efficient manner and could result in increased competition for access to third-party foundry and assembly capacity. In the event of such an upturn, as we started witnessing at the end of 2025, with the rise in artificial intelligence-driven demand for semiconductor products, may result in extended supplier lead times, increased manufacturing and raw material costs, inventory risks, and constraints on our ability to meet customer demand or secure future design wins.

Due to the inherently cyclical nature of the semiconductor industry and the rapid pace of technological change, we may not be able to scale our operations, workforce, or product offerings efficiently or respond effectively to shifts in customer demand or end-market preferences, which could materially adversely affect our business, financial condition, and results of operations.

Global political and economic uncertainty, downturns or volatility in general economic conditions could have a material adverse effect on our international operations and adversely affect our business, financial condition, results of operations and liquidity.

Our net sales, gross margin, and profitability depend significantly on general economic conditions and the demand for products in the markets in which our customers compete. A significant portion of our revenue is derived from customers in international markets, and we expect that international sales will continue to account for a significant portion of our revenue in the future. As a result of our international operations, our business, financial condition and results of operations could be negatively impacted by the following:

- political, legal and economic changes, crises or instability and civil unrest in markets in which we do business, such as potential macroeconomic weakness related to trade and political disputes between the United States and China, changes in China-Taiwan relations that may adversely affect our operations in Taiwan, since, as of today, all our silicon wafers, which are the basic element of any semiconductor product, are designed to be manufactured at Taiwan Semiconductor Manufacturing Company (“TSMC”). TSMC is a critical supplier, and any disruption in its operations could significantly impact our operations and adversely affect our ability to meet production demands. In addition, we use other vendors that are located in Taiwan and who have an important role in our supply chain. Any disruption in their operations can also have an adverse impact on our operations and cause a significant delay in our ability to timely fulfill our customers’ demands. Automotive customers have become increasingly risk-averse following the recent global semiconductor shortages, placing heightened scrutiny on supply chain resilience and geographic concentration. In particular, geopolitical tensions in Taiwan, where a significant portion of advanced semiconductor manufacturing capacity is located, have amplified concerns around potential supply disruption, trade restrictions, or logistical bottlenecks. These sensitivities are compounded by the automotive industry’s reliance on just-in-time manufacturing models, which operate with limited inventory buffers and can magnify the operational impact of even short-term component shortages. As a result, even the perception of elevated supply chain or geopolitical risk associated with critical vendors may adversely affect our ability to win new designs, could lead to design-outs or dual-sourcing decisions, and, in the event of actual disruption, could interrupt supply, any of which may negatively impact our growth prospects, customer relationships, and business results.
- geopolitical events, such as the status of war in Israel, the ongoing conflict between Russia and Ukraine, or any other threat of war or terrorist actions;
- increased global instability resulting from recent unilateral U.S. military and diplomatic actions;

- compliance requirements of U.S. customs and export regulations, including the Export Administration Regulations;
- currency conversion risks and exchange rate and interest rate fluctuations, including the current increasing interest rate environment;
- instability of global credit and financial markets due to adverse macroeconomic conditions such as rising inflation, increasing interest rates and slower economic growth or recession that could, among other impacts, affect our ability to access external financing sources on acceptable terms or lead to financial difficulties or uncertainty of our customers, suppliers and distributors exposing us to late payments, cancelled orders and inventory challenges, among others;
- trade policy, commercial, travel, export or taxation disputes or restrictions, import or export tariffs, changes to export classifications or other restrictions imposed by the U.S. government or by the governments of the countries in which we do business, particularly in China;
- complex, varying and changing government regulations and legal standards and requirements, particularly with respect to tax regulations, price protection, competition practices, export control regulations and restrictions, customs and tax requirements, immigration, anti-boycott regulations, privacy, data protection and information security, sustainability and climate-related regulations, intellectual property, anti-corruption and environmental compliance, including the Foreign Corrupt Practices Act;
- economic disruption from terrorism and threats of terrorism and the response to them by the U.S. and its allies;
- natural disasters or public health emergencies;
- fluctuations in raw material costs and energy costs due to general market factors and conditions such as inflation and supply chain constraints;
- cyber-attacks or other disruptions to or breaches of our information technology, systems or networks; and
- greater difficulty in accounts receivable collections and longer collection periods.

Weaknesses in the global economy and financial markets and any adverse changes in general domestic and global economic conditions that may occur in the future, including any recession, economic slowdown or disruption of credit markets, may also lead to lower demand for products that incorporate our solutions, particularly in the automotive and cross-industry business markets. A decline in end-user demand can affect our customers' demand for our products, as well as their ability to build new products, obtain credit and otherwise meet their payment obligations. Our net sales, financial condition and results of operations could be negatively affected by such actions. Volatile and/or uncertain economic conditions can adversely impact sales, gross margin and profitability and make it difficult for us to accurately forecast and plan our future business activities. To the extent we incorrectly plan for favorable economic conditions that do not materialize or take longer to materialize than expected, we may face oversupply of our products relative to customer demand.

Conversely, if we overestimate customer demand, we may manufacture products that we may not be able to sell. As a result, we would have excess inventory, which could result in losses. To the extent that our sales, profitability and strategies are negatively affected by downturns or volatility in general economic conditions, our business, financial condition and results of operations may be materially and adversely affected. In addition, any disruption in the credit markets could impede our access to capital, which could be further adversely affected if we are unable to obtain or maintain favorable credit ratings. If we have limited access to additional financing sources, we may be required to defer capital expenditure or seek other sources of liquidity, which may not be available to us on acceptable terms or at all.

Similarly, if our suppliers face challenges in obtaining credit or other financial difficulties, they may be unable to provide the materials we need to manufacture our products. All of these factors relate to global economic conditions, which are beyond our control, and could adversely impact our business, financial condition, results of operations and liquidity.

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) has restricted the export of advanced computing integrated circuits and related items to China and other countries and entities

The U.S. Department of Commerce, Bureau of Industry and Security ("BIS") announces from time-to-time new restrictions on the export of advanced computing integrated circuits and related items to certain countries, including China, and various entities. Based on our existing customer base, characteristics of our existing products and their export control classifications, as well as the licenses issued to us by the BIS, these regulations did not have a material impact on our business. Export control regulations adopted by the United States and other jurisdictions are subject to change and interpretation, and it is possible that future regulatory changes or actions by the BIS impacting U.S. exports of integrated circuits and related items, which will restrict the re-export of integrated circuits to China or to certain Chinese entities will have a material impact on our business operations in China which accounted to approximately 15% of our total revenues in 2025, and on our ability to further expand and grow our business and revenue in China. This may also be affected by our ability to renew or otherwise obtain relevant BIS licenses.

A recent example of these restrictions includes an Interim Final Rule (IFR) from January 2025 that expands controls on advanced computing integrated circuits (ICs or chips) and model weights for artificial-intelligence models. Although we do not believe that these recent controls and policies will impede our ability to conduct our business, given the kinds of semiconductors we typically deploy in our business, there can be no assurance that broadening these restrictions or adopting similar ones would not limit our ability to use certain supply chain vendors, sell our products to existing and potential customers in certain geographic areas and ultimately adversely affect our financial performance.

Events beyond our control could have an adverse effect on our business, financial condition, results of operations and cash flow.

Our ability to make, transport and sell products in coordination with our suppliers, customers, distributors and third-party manufacturers or other subcontractors is critical to our success. Damage or disruption to our supply, manufacturing, supply chain or distribution capabilities resulting from weather, freight carrier availability, any potential effects of climate change, natural disaster, disease, fire, explosion, cyber-attacks or other disruptions to or breaches of our information technology, systems or networks, terrorism, pandemics, epidemics or other outbreaks of infectious disease, strikes, civil unrest, repairs or enhancements at facilities manufacturing or distribution of our products or other reasons could impair our ability to manufacture, sell our products, and to deliver products to our customers on a timely basis or at all. Global climate change may result in certain natural disasters occurring more frequently or with greater intensity, such as drought, wildfires, storms, sea-level rise, and flooding, and could disrupt the availability of water necessary for the operation of our fabrication facilities located in semi-arid regions. The long-term effects of climate change on the global economy and the semiconductor industry in particular are unclear but could be severe.

Similarly, over demand on existing supply chain manufacturing lines as well as disruptions in the operations of our key suppliers or in the services provided by contract manufacturers, including disruptions due to natural disasters, materials shortages or other disruptions, or by the transition by us to other suppliers or third-party manufacturers could lead also to supply chain problems and otherwise impair or delay our ability to deliver products to our customers on a timely basis or at all. Additionally, we do not have long-term agreements for the materials and supplies used in our business, which could make it more difficult to obtain such materials and supplies.

Other companies in our industry may be affected differently by natural disasters or other disruptions depending on the location of their suppliers, operations, and customers. In addition, many of our competitors are larger companies with more substantial financial and other resources and, as a result, may be better able to plan for, withstand or otherwise mitigate the effects of any such disruption. While we may take steps to plan for or address the occurrence of any such event, we cannot guarantee that we will be successful. If we fail to take adequate steps to reduce the likelihood or mitigate the potential impact of such events, or to effectively manage such events if they occur, it could adversely affect our business, financial condition, results of operations and cash flows and/or require additional resources to restore our supply chain.

Any downturn in the cross-industry served markets or automotive market could significantly harm our financial results and slow the pace of adoption of new technologies, including those that we offer.

Approximately 73% and 27% of our total net sales in fiscal year 2025 and 63% and 37% of our total net sales in fiscal year 2024 were generated by our cross-industry and automotive products, respectively. The global economic uncertainty in recent years has impacted demand in many global markets, exposing us to the risks associated with such markets as follows:

- **Cross-Industry Business market:** following the negative impact from the COVID-19 pandemic on some of our professional audio-video customers' demand, the following two years, 2023-2024, were characterized by high-inventory levels of our customers, a slow inventory digestion and a cautious approach to inventory building, due to the inflation environment, high-interest rates and shorter product lead times. These, in turn, contributed to a decrease in demand for our products, although 2025 marked a recovery from the slow pace of inventory digestion. Slow growth trends may have a negative effect on the demand for our cross-industry products, as well as high inventory levels, and could delay plans of our customers to introduce new products into which our products are designed. The demand for our cross-industry products, including those used in professional audio-video and video-conferencing applications, is influenced by global macroeconomic conditions, enterprise and institutional capital spending, and customers' willingness to invest in new technology deployments. Periods of economic uncertainty, inflationary pressures, elevated interest rates, tariffs and trade restrictions, and budget constraints may cause enterprises, educational institutions, and public-sector customers to delay, scale back, or reprioritize technology investments. In addition, adoption cycles in the video-conferencing and Professional Audio Video markets may be slower than anticipated if customers choose to extend the useful life of existing systems, defer upgrades to next-generation platforms, or limit deployments to essential or incremental improvements rather than comprehensive system refreshes. Moreover, increasing adoption of artificial intelligence, machine learning, automated decision-making, and similar models, algorithms and technologies (collectively, "AI") technologies in enterprise environments may introduce additional uncertainty regarding future workplace configurations, collaboration workflows, and technology requirements. As organizations assess how AI tools may alter meeting formats, communication practices, and the role of physical collaboration spaces, customers may delay or reconsider investments in video-conferencing and Professional Audio Video infrastructure. Such uncertainty could further extend decision-making timelines, slow deployment rates, or reduce the scale of technology rollouts incorporating our solutions. This may impede our ability to grow our business, meet our short- and long-term goals and consummate plans that we communicate to the market from time to time.

- Automotive market: automotive sales generally correlate with global economic conditions, such as increased inflation rate, high interest rates, and imposed tariffs which may affect consumer spending and automakers' capital allocation decisions. In periods of economic uncertainty, automotive manufacturers may delay or scale back investments in new vehicle platforms, advanced features and next-generation technologies, and may prioritize cost containment over innovation. This was demonstrated recently with automakers increasing caution in adopting new technologies, including advanced driver assistance systems ("ADAS"), and in transitioning vehicles across higher levels of automation. This caution has been reflected in longer development cycles, delayed vehicle launches, reduced production volumes, the postponement or cancellation of certain electric vehicle and advanced technology programs, and a greater focus on extending the life of existing vehicle platforms rather than introducing new architectures. Such developments may slow the pace at which our technology is adopted and deployed by automotive players, extend qualification and design-in timelines, or reduce the number of vehicles and programs incorporating our solutions. If automakers defer the introduction of new vehicle models or features, reduce production of existing models, or exit or delay certain technology initiatives, demand for our automotive products, including our ADAS solutions, could be materially lower than we expect. Any of the foregoing could adversely affect our revenues, margins, growth prospects, and our ability to execute our long-term automotive strategy, and could have a material adverse effect on our business, financial condition and results of operations. In addition, this may impede our ability to meet our short- and long-term goals and consummate plans that we communicate to the market from time to time.

The semiconductor industry is highly competitive. If we fail to introduce new technologies and products in a timely manner, or fail in causing the market to adopt our solutions or to continue to prefer our solutions over new ones, this could adversely affect our business.

The semiconductor industry is highly competitive and characterized by constant and rapid technological change, short product life cycles (mainly in the cross-industry business, versus longer cycles in the automotive industry), significant price erosion and evolving standards. Our ability to compete in this industry depends on many factors, including general economic and industry market conditions, our ability to identify emerging markets and technology trends in an accurate and timely manner, introduce new and innovative technologies and products, implement advanced manufacturing technologies at a sustainable pace, maintain the performance and quality of our products, manufacture our products in a cost-effective manner, market our solutions and develop an ecosystem around them, as well as on our competitors' performance.

The success of our business depends to a significant extent on our ability to develop new technologies and products that are ultimately successful in the market. The costs related to the research and development necessary to develop new technologies and products are significant and any reduction in our research and development budget could harm our competitiveness. Meeting evolving industry requirements and introducing new products to the market in a timely manner and at prices that are acceptable to our customers are significant factors in determining our competitiveness and success. Given the long development cycle of semiconductor products, commitments to develop new products must be made well in advance of any resulting sales, and technologies and standards may change during development, potentially rendering our products outdated or uncompetitive before their introduction. If we are unable to successfully develop new products, win designs for our existing products and preserve our position as the providers of the solutions of choice, our revenues may decline substantially.

Moreover, some of our competitors are well-established entities, are larger than us and have greater resources than we do. Some of our competitors may have more advantageous supply or development relationships with our current and potential customers or suppliers and may be more successful than us in causing the market to adopt other solutions over those that we offer. If these competitors increase the resources they devote to developing and marketing their products, we may not be able to compete effectively. Any consolidation among our competitors could lead to a changing competitive landscape, which could negatively impact our competitive position and market share, could enhance their product offerings and financial resources, further strengthening their competitive position. In addition, some of our competitors operate in narrow business areas relative to us, allowing them to concentrate their research and development efforts directly on products and services for those areas, which may give them a competitive advantage. As a result of these competitive pressures, we may not be successful in winning designs for our products or in building a large enough ecosystem and ultimately face declining sales volumes or lower prevailing prices for our products, and we may not be able to reduce our total product costs in line with these declining revenues. If any of these risks materialize, they could have a material adverse effect on our business, financial condition, and results of operations.

The semiconductor industry is characterized by significant price erosion, especially after a product has been on the market for a significant period of time.

The products we develop and sell are subject to rapid declines in average selling prices over the life of the products. Product life cycles can be relatively short, and as a result, products tend to be replaced by more technologically advanced substitutes on a regular basis. In turn, demand for older technology falls, causing the price at which such products can be sold to drop, in some cases precipitously. Additionally, competitors may be able to quickly introduce new products to compete with our products, and sometimes competitors will anticipate our entry into a market and start to lower the prices on their products before our entry. To the extent we are unable to reduce the prices of our products and remain competitive, our net sales will likely decline, resulting in further pressure on our gross margins, which could have a material adverse effect on our business, financial condition and results of operations and our ability to grow our business.

Additionally, because we do not operate our own manufacturing, assembly or testing facilities, we may not be able to reduce our costs as rapidly as companies that operate their own facilities and consequently our costs may increase, which could also impact our gross margins. Our gross margin could also be impacted by increased cost (including those caused by tariffs), loss of cost savings or dilution of savings due to changes in charges incurred due to inventory holding periods if parts ordering does not correctly anticipate product demand or if the financial health of either contract manufacturers or suppliers deteriorates as well as excess inventory and inventory storage and obsolescence charges. In addition, we are subject to risks from fluctuating market prices of certain components, which are incorporated into our products or used by our suppliers to manufacture our products. Supplies of these components may, from time to time, become restricted, or general market factors and conditions may affect pricing of such commodities. For example, supply shortages in the semiconductor industry of multi-layer complex substrates, IC packaging capacity and fab constraints as we have experienced in past years, have resulted in increased lead times, and overall increased costs. For other industry players they have resulted in an inability to meet demand, which can also happen to us. Any increase in the price of components used in our products or difficulties in meeting the demand may adversely affect our gross margins.

In order to continue profitably supplying our products, we must reduce our production costs in line with the lower revenues we can expect to receive per unit. Usually, this must be accomplished through improvements in process technology and production efficiencies. If we cannot advance our process technologies or improve our efficiency to a degree sufficient to maintain required margins, we will no longer be able to make a profit from the sale of these products. Additionally, we may not be able to cease production of such products, either due to contractual obligations or for customer relationship reasons, and as a result may be required to bear a loss on such products. We cannot guarantee that competition in our core product markets will not lead to price erosion, lower revenue growth rates and lower margins in the future. Should reductions in our manufacturing costs fail to keep pace with reductions in market prices for the products we sell, this could have a material adverse effect on our business, financial condition and results of operations. Similarly, if our suppliers increase their production prices, and we are not able to roll over such increases to our customers in a timely manner, it could adversely impact our business, decrease our gross margins and operating results.

To attract new customers or retain existing customers, from time to time we offer certain price concessions to our customers, which could cause our average selling prices and gross margins to decline. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or by our competitors and other factors. We expect that we will continue to have to reduce prices of existing products in the future. Moreover, because of the wide price differences across the markets we serve, the mix and types of performance capabilities of our products sold may affect the average selling prices of our products and have a substantial impact on our revenue and gross margin. We may enter new markets in which a significant amount of competition exists, and this may require us to sell our products with lower gross margins than we earn in our established businesses. If we are successful in growing revenue in these markets, our overall gross margin may decline. Fluctuations in the mix and types of our products may also affect the extent to which we are able to recover the fixed costs and investments associated with a particular product, and as a result may harm our financial results.

Failure to adjust our supply chain volume due to changing market conditions or failure to estimate our customers' demand could adversely affect our net sales and could result in additional charges for obsolete or excess inventories or non-cancelable purchase commitments. Conversely, we may have insufficient inventory or be unable to obtain the supplies or contract manufacturing capacity to meet that demand which would result in lost revenue opportunities and potential loss of market share as well as damaged customer relationships.

We typically sell products pursuant to purchase orders rather than long-term purchase commitments. Some of our customers may cancel or defer purchase orders on short notice without incurring a significant penalty. Due to their inability to predict demand or other reasons, some of our customers may accumulate excess inventories and, as a consequence, defer purchases of our products.

We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, levels of reliance on outsourced contract manufacturing, personnel needs, and other resource requirements, based on our estimates of customer requirements. The short-term nature of the commitments by many of our customers and the possibility of rapid changes in demand for their products reduces our ability to accurately estimate the future requirements of our customers. Anticipating future demand is difficult because our customers face unpredictable demand for their own products and are increasingly focused more on cash preservation and tighter inventory management. In addition, as an increasing number of our chips are being incorporated into consumer products, we anticipate greater fluctuations in demand for our products, which makes it more difficult to forecast customer demand. Occasionally, our customers may require rapid increases in production, which can challenge our resources. We may not have sufficient capacity at any given time to meet our customers' demands. Conversely, downturns in the semiconductor industry have in the past caused, and may in the future, cause our customers to significantly reduce the solutions or the number of products ordered from us. Because many of our sales, research and development, and manufacturing expenses are relatively fixed, a reduction in customer demand may decrease our gross margins and operating results.

In addition, we base many of our operating decisions, and enter long-term purchase commitments, on the basis of anticipated net sales trends which are highly unpredictable. Some of our purchase commitments are not cancelable, and in some cases, we are required to recognize a charge representing the amount of material purchased or ordered which exceeds our actual requirements. These non-cancelable purchase commitments could reduce our ability to adjust our inventory to address declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges, which would reduce our gross margin and adversely affect our financial results. If net sales in future periods fall substantially below our expectations, or if we fail to accurately forecast changes in demand mix, we could again be required to record substantial charges for obsolete or excess inventories or non-cancelable purchase commitments. Conversely, if we underestimate customer demand or otherwise lack the required manufacturing capacity, we may miss revenue opportunities and potentially lose market share. In addition, any future significant cancellations or deferrals of product orders or the return of previously sold products could materially and adversely affect our profit margins, increase product obsolescence and restrict our ability to fund our operations.

Moreover, during a market upturn, we may not be able to purchase sufficient supplies or components to meet increasing product demand, which could prevent us from taking advantage of opportunities and reduce our net sales. In addition, a supplier could discontinue a component necessary for our design, extend lead times, limit supply, or increase prices due to capacity constraints or other factors. Our failure to adjust our supply chain volume or estimate our customers' demands could have a material adverse effect on our net sales, business, financial condition and results of operations.

Disruptions in our relationships with any one of our key customers could adversely affect our business.

Approximately 31% of our 2025 revenues and 38% of our 2024 revenues were generated by our top three customers, in each of those periods, that purchase products from us based on short term purchase orders that reflect the demand they have from their end customers. We cannot guarantee that we will be able to generate similar levels of revenues from our largest customers in the future. Should one or more of these customers substantially reduce their purchases from us, this could have a material adverse effect on our business, financial condition and results of operations.

Our customers' continued success will depend in large part on growth within the markets for our automotive and audio-video solutions and products and their success within such markets. Demand in these markets fluctuates significantly, by consumer spending, consumer preferences, the development of new technologies and prevailing economic conditions. Factors affecting these markets could seriously harm our customers and, as a result, harm us, including:

- the effects of catastrophic and other disruptive events at our customers' offices or facilities including, but not limited to, natural disasters, telecommunications failures, cyber-attacks or other disruptions to or breaches of our customers' information technology, systems or networks, terrorist attacks, pandemics, epidemics or other outbreaks of infectious disease, breaches of security or loss of critical data;
- increased costs associated with potential disruptions to our customers' supply chain and other manufacturing and production operations, including due to shortages in raw materials, increases in raw materials, transport and other commodities' prices, among others, due to geopolitical tensions and fluctuations in oil prices;
- the deterioration of our customers' financial condition;
- changes in geographic, product or customer mix;
- delays and project cancellations as a result of design flaws in the products developed by our customers; the inability of customers to dedicate the resources necessary to promote and commercialize their products;
- the inability of our customers to adapt to changing technological demands resulting in their products becoming obsolete; and
- the failure of our customers to anticipate their customers' needs and the failure of our customers' products to achieve market success and gain broad market acceptance.

Any slowdown in the growth of these end markets could adversely affect our financial results.

We will have difficulty selling our products if customers do not design our products into their product offerings.

Our products are not sold directly to the end-users but are components of other products. Our products are generally incorporated into our customers' products at the design stage. As a result, we rely on our customers to select our products from among alternative offerings to be designed into the products they sell. If they do not include our products in their designs, we will have difficulty selling our products. Even after a customer designs our products into the products they sell, the customer is not obligated to purchase our products, nor can we guarantee that the customer is not using competitive products. In addition, the customer can choose at any time to reduce or discontinue their use of our products, for example, if their own products are not commercially successful, or for any other reason. In addition, we often incur significant expenditures on the development of a new product without any assurance that our product will be designed into our customers' products. Once a customer designs a competitor's product into its product offering, it becomes significantly more difficult for us to sell our products to that customer because changing suppliers involves significant cost, time, effort and risk for the customer. Our customers and potential customers may not choose to design our products into theirs, or, if chosen, continue to design them into future versions or models, or we might not be able to convert any such design into actual sales, either of which could materially and adversely affect our results of operations.

If we are unable to manage our growth effectively, our business and financial results may be adversely affected.

To continue to grow, we must continue to expand our operational, engineering, accounting and financial systems, procedures, controls and other internal management systems. This may require substantial managerial and financial resources, and our efforts in this regard may not be successful. Our current systems, procedures and controls may not be adequate to support our future operations. Unless our growth results in an increase in our revenues that is proportionate to the increase in our costs associated with this growth, our operating margins and profitability will be adversely affected. If we fail to adequately manage our growth effectively, improve our operational, financial and management information systems, or effectively train, motivate and manage our new and future employees, it could adversely affect our business, financial condition and results of operations.

The estimates of market opportunity and growth forecasts included in this disclosure or which we communicated to the market elsewhere may prove to be inaccurate.

Market opportunity estimates and growth forecasts are inherently uncertain. Our estimates regarding the expected growth in our served available markets are based on our experience, as well as internal research and industry forecasts, which are subject to a number of estimates and assumptions. While we believe our assumptions and the data underlying our estimates to be reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. As a result, our estimates regarding the size and expected growth rates of our served available markets may prove to be incorrect. If our served available markets are smaller than we have estimated, or if we are unable to gain the market share we assumed we could gain, our sales growth and/or market share may fail to reach the levels implied by these estimates and we may not meet the forecasted financial targets.

Our quarterly net sales and operating results are difficult to predict accurately and may fluctuate significantly from period to period. As a result, we may fail to meet the expectations of securities analysts and investors, which could cause our share price to decline.

We operate in a highly dynamic industry and our future operating results could be subject to significant fluctuations, particularly on a quarterly basis. Our quarterly net sales and operating results have fluctuated significantly in the past and may continue to vary from quarter to quarter due to a number of factors, many of which are not within our control. Although some of our customers provide us with rolling forecasts of their future requirements for our products, a significant percentage of our net sales in each fiscal quarter is dependent on sales that are booked and shipped during that fiscal quarter and are typically attributable to a large number of orders from diverse customers and markets. As a result, accurately forecasting our operating results in any fiscal quarter is difficult. If our operating results do not meet the expectations of securities analysts and investors, they may change their recommendations, or the target price of our share and our share price may decline.

Additional factors that can contribute to fluctuations in our operating results include:

- the rescheduling, increase, reduction or cancellation of significant customer orders;
- the timing of customer qualification of our products and commencement of volume sales by our customers of systems that include our products;
- the timing and amount of research and development and sales and marketing expenditures;
- the rate at which our present and future customers and end users adopt our technologies in our target end markets;
- the timing and success of the introduction of new products and technologies by us and our competitors, and the acceptance of our new products by our customers;
- our ability to anticipate changing customer product requirements;
- our gain or loss of one or more key customers;
- the availability, cost and quality of materials and components that we purchase from third-party vendors and any problems or delays in the manufacturing, testing or delivery of our products;
- the availability of production capacity at our third-party facilities or other third-party subcontractors and other interruptions in the supply chain, including as a result of materials shortages, bankruptcies or other causes;
- supply constraints for and changes in the cost of the other components incorporated into our customers' products;
- our ability to reduce the manufacturing costs of our products;
- fluctuations in manufacturing yields;
- the changes in our product mix or customer mix;

- the timing of expenses related to the acquisition of technologies or businesses;
- product rates of return or price concessions in excess of those expected or forecasted;
- the emergence of new industry standards;
- product obsolescence;
- unexpected inventory write-downs or write-offs;
- costs associated with litigation over intellectual property rights and other litigation;
- the length and unpredictability of the purchasing and budgeting cycles of our customers;
- loss of key personnel or the inability to attract qualified engineers;
- the quality of our products and any remediation costs;
- adverse changes in economic conditions in various geographic areas where we or our customers do business;
- the general industry conditions and seasonal patterns in our target end markets, particularly the automotive market and the audio- video market;
- other conditions affecting the timing of customer orders or our ability to fill orders of customers subject to export control or economic sanctions;
- cyber-attacks or other disruptions to or breaches of our information technology, systems or networks; and
- geopolitical events, such as war, threat of war or terrorist actions, or the occurrence of pandemics, epidemics or other outbreaks of disease, or natural disasters, and the impact of these events on the factors set forth above.

We may experience a delay in generating or recognizing revenues for a number of reasons. For example, open backlogs at the beginning of each quarter are typically lower than expected net sales for that quarter and are generally cancelable or reschedulable with minimal notice.

Accordingly, we depend on obtaining orders during each quarter for shipment in that quarter to achieve our net sales objectives and failure to fulfill such orders by the end of a quarter may adversely affect our operating results. Furthermore, our customer agreements may include provisions that allow them to delay scheduled delivery dates and/or cancel orders within specified timeframes without a significant penalty. In addition, we maintain an infrastructure of facilities and human resources in several locations around the world and have a limited ability to reduce the expenses required to maintain such infrastructure. Because we base our operating expenses on anticipated revenue trends and a high percentage of our expenses are fixed in the short term, any delay in generating or recognizing forecasted net sales or changes in levels of our customers' forecasted demand could materially and adversely impact our business, financial condition, and results of operations. Due to our limited ability to reduce expenses, in the event our revenues decline, or our forecasted net sales do not meet our expectations, it is likely that in some future quarters our operating results will decrease from the previous quarter or fall below the expectations of securities analysts and investors. As a result of these factors, our operating results may vary significantly from quarter to quarter.

Accordingly, we believe that period-to-period comparisons of our results of operations should not solely be relied upon as indications of future performance. Any shortfall in net sales or net income from any previous quarter or from levels expected by the investment community could cause a decline in the trading price of our share.

We depend on winning selection processes, and failure to be selected could adversely affect our business in those market segments.

One of our business strategies is to participate in and win competitive technology selection processes to develop products for use in our customers' equipment and products. These selection processes are typically lengthy and require us to incur significant design and development expenditures, with no guarantee of winning a contract or generating revenues. The incurrence of such significant expenditures, failure to win new design projects and delays in developing new products with anticipated technological advances or in commencing volume shipments of these products may have an adverse effect on our business. This risk is particularly pronounced in markets where there are only a few potential customers and in the automotive market, where, due to the longer design cycles involved, failure in a particular selection process could prevent access to such an automotive customer for several years. Our failure to win a sufficient number of design wins and to gain market adoption of our solutions, could result in reduced revenues and hurt our competitive position in future selection processes because we may not be perceived as being a technology or industry leader, or as the providers of the industry's solutions of choice, each of which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, even if our solution is selected, it can take a long period of months, and even years, before the selecting customer will commence the volume production of components or systems that incorporate our products, which means that the sales and meaningful revenues therefrom may be delayed. See Item 5A. "Operating and Financial Review and Prospects - Operating Results - Design Wins with New and Existing Customers".

Even if we succeed in winning selection processes for our products, we may not generate timely or sufficient net sales or margins from those wins and our financial results could suffer.

After incurring significant design and development expenditures, a substantial period of time generally elapses before we generate meaningful net sales relating to such a product, if at all, particularly with respect to the automotive industry. The reasons for this delay include, among other things, the following:

- changing customer requirements, including product and quality related requirements, resulting in an extended development cycle for the product;
- delay in the ramp-up of volume production of the customer's products into which our solutions are designed;
- delay or cancellation of the customer's product development plans;
- competitive pressures to reduce our selling price for the product;
- the discovery of design flaws, defects, errors or bugs in the products or at the customers' system level;
- lower than expected customer acceptance of the solutions designed for the customer's products;
- lower than expected acceptance of our customers' products; and
- higher manufacturing costs than anticipated.

If we do not continue to win selection processes for our products in the short term, then we may not be able to achieve the expected net sales levels associated with these winnings. If we experience delays in achieving such sales levels, our operating results could be adversely affected. Moreover, even if a customer selects our product, we cannot guarantee that this will result in any sales of our products, as the customer may ultimately change or cancel its product plans, or our customer's efforts to market and sell its product may not be successful.

If we fail in a timely and cost-effective manner to develop new product features or new products that address customer preferences and achieve market acceptance, our operating results could be adversely affected.

Our customers are constantly seeking new products with more features and functionality at a lower cost, and our success relies heavily on our ability to continue to develop and market to our customers new and innovative products and improvements of existing products, at competitive prices. In order to respond to new and evolving customer demands, achieve a strong market share and keep pace with new technological, processing and other developments, we must constantly introduce new and innovative products into the market. Although we strive to respond to customer preferences and industry expectations regarding the development of our products, we may not be successful in developing, introducing or commercializing any new or enhanced products on a timely basis or at all. Further, if initial sales volumes for new or enhanced products do not reach anticipated levels within the time periods we expect, we may be required to engage in additional marketing efforts to promote such products and the costs of developing and commercializing such products may be higher than we predict. Moreover, new and enhanced products may not perform as expected. We may also encounter lower manufacturing yields and longer delivery schedules in commencing volume production of new products that we introduce, which could increase our costs and disrupt our supply of such products.

A fundamental shift in technologies, the regulatory climate or demand patterns and preferences in our existing product markets or the product markets of our customers or end-users could make our current products obsolete, prevent or delay the introduction of new products or enhancements to our existing products or render our products irrelevant to our customers' needs. If our new product development efforts fail to align with the needs of our customers, including due to circumstances outside of our control like a fundamental shift in the product markets of our customers and end users or regulatory changes, our business, financial condition and results of operations could be materially and adversely affected.

The development of our products is highly complex. New and enhanced products require substantial financial and other resources to research and development. Occasionally, we have experienced delays in completing the development and introduction of new products and product enhancements, and we could experience delays in the future. Unanticipated problems in developing products could also divert substantial research and development and engineering resources, which may impair our ability to develop new products and enhancements and could substantially increase our costs. Even if we introduce new and enhanced products to the market, we may not be able to achieve market acceptance of these products in a timely manner or at all.

Our competitive position, demand for products and results of operations could be adversely affected if we are unable to meet customers' quality requirements.

Suppliers in the semiconductor industry must meet increasingly stringent quality standards of certain original equipment manufacturers and customers, particularly for automotive and audio-video applications. While our quality performance to date has generally met these requirements, we may experience problems in achieving acceptable quality results in the manufacture of our products, particularly in connection with the production of new products or adoption of a new manufacturing process or applying any change to an existing product. Any of these changes may require a new qualification process. If we are unsuccessful or delayed in qualifying these products or changes by our existing or potential customers or if we fail to achieve acceptable quality levels, the sales of our products may be precluded from a certain process or potential customer, or delayed, which may result in holding excess or obsolete inventory, or could otherwise adversely affect our business results. In addition, our customers generally impose very high quality and reliability standards on our products, which often change and may be difficult or costly to satisfy. Any inability to satisfy customer quality and reliability standards or comply with industry standards and technical requirements may cause our customers not to design-in our products or to return products that do not meet their quality requirements. This may adversely affect demand for our products and the results of our operations.

In March 2024, we received a complaint from a customer indicating an alleged batch production incident. We subsequently identified and remedied the production issue and delivered replaced products. The customer made a claim for related expenses reimbursement and for this reason we have recorded expenses in 2024 of \$2.2 million dollars. During 2025, following the ongoing discussions with the customer and updated indications, the Company recorded reversals of the provision in the overall amount of \$0.7 million. As of December 31, 2025, the Company, the insurer and the customer are involved in advanced discussions of a final settlement, which includes a payment of \$1.5 million dollars by the insurance company to the customer, a payment that the Company assumes to be probable (in addition to a retention amount of \$250 thousand to be paid by the Company). Accordingly, the Company recognized in 2025 an insurance recovery asset of \$1.5 million. Although we provided immediate service to our customer to minimize the effects of this incident to the satisfaction of the customer and are in advance discussions of a final settlement, this incident, and other quality control incidents in the future, may adversely affect our reputation and our ability to win business, as well as our relationship with our existing customers, and affect demand for our products and business results.

Our results of operations and reputation could be adversely affected by warranty claims, product liability claims and product returns, including recalls.

Our products are highly complex and though we invest significant resources in their testing and quality, they may contain defects, bugs or errors that may affect their quality or performance and could result in claims against us by our customers or others, including liability for costs and expenses associated with such defects, including recalls, which, in turn, may adversely impact our operating results, our relationship with our customers and our reputation. We generally provide our customers with a limited warranty assurance that the sold products are in compliance with the applicable specifications at the time of delivery. Under our standard terms and conditions of sale, liability for certain failures of product during the stated warranty periods is usually limited to repair or replacement of defective items, although with some customers we may have other arrangements. Any claims that are based on warranty, product liability, epidemic or delivery failures, or other grounds relating to any defects, errors or bugs in our products, may require us to make significant expenditures to defend these claims or pay damage awards or settlements. In addition, we may write-off inventory or, our customers may decide as a result to discontinue the purchasing or the design-in of our products into their products, which may also result in holding excess or obsolete inventory or could otherwise adversely affect our business results. If our customers product is recalled due to a failure in our product which is embedded into such product, the process of identifying a recalled product, whether in automotive or in other devices that have been widely distributed, may be lengthy and require significant resources, and we may incur significant costs and expenses as a result as well as reputational harm, which may adversely affect our business results. To minimize these potential damages, we maintain relevant insurances, but there is no guarantee that such insurances will be available or adequate to protect against all such potential claims and damages.

Changes in industry standards could limit our ability to sell our products and force us to write down our inventory.

The markets for semiconductors are characterized by rapidly evolving industry standards. We must continuously develop new products or upgrade our existing products to keep pace with these evolving standards. Changes in industry standards, or the development of new industry standards, may make our products less competitive or obsolete. Our products comprise only a component of an automotive vehicle or a part of an electronic device. All components of these end products must uniformly comply with industry standards (if any) in order to operate efficiently together. We depend on companies that provide other components of the end products to support prevailing industry standards. Many of these companies are significantly larger and more influential in driving industry standards than we are. Some industry standards may not be widely adopted or implemented uniformly, and competing standards may emerge that may be preferred by our customers or end users. If larger companies do not support the same industry standards that we do, or if competing standards emerge, market acceptance of our products could be adversely affected, which would harm our business. The acquisition by larger companies of smaller companies that are developing products that support competing industry standards may be interpreted as an endorsement for the competing standards by these larger companies, which may adversely affect the market acceptance of our products.

Because it is not practicable to develop products that comply with all current standards and new standards that may be adopted in the future, our ability to compete effectively will depend on our ability to select industry standards that will be widely adopted by the market and to design our products to support those relevant industry standards. We may be required to invest significant effort and to incur significant expense to redesign our products to address relevant standards, and we may lose market share if we do not redesign our products quickly enough. If our products do not meet relevant industry standards that have been widely adopted for a significant period of time, our results of operations, business, and prospects would be adversely affected.

If we encounter sustained yield problems or other delays in the manufacturing process of our products, we may lose sales and damage our customer relationships.

The manufacture of our products, including the fabrication of semiconductor microchips, and the assembly and testing of our products, involve highly complex processes. From time to time, we have experienced problems achieving acceptable yields at our third-party facilities, resulting in delays in the availability of components. Moreover, an increase in the rejection rate of products during the quality control process before, during or after manufacture and/or shipping of such products, results in lower yields and margins. In addition, changes in manufacturing processes required as a result of changes in product specifications, changing customer needs and the introduction of new product lines have historically significantly reduced our manufacturing yields, resulting in low or negative margins on those products. Poor manufacturing yields over a prolonged period of time could adversely affect our ability to deliver our products on a timely basis and harm our relationships with customers, which could materially and adversely affect our business, financial condition and results of operations. We may be unable to maintain appropriate manufacturing capacity or product yields at our CM manufacturing facilities.

We have acquired and may continue to acquire other businesses. These acquisitions divert a substantial part of our resources and management attention and could in the future adversely affect our financial results

Seeking and negotiating potential acquisitions to a certain extent diverts our management's attention from other business concerns and is expensive and time-consuming. Acquisitions expose us and our business to unforeseen liabilities or risks associated with the business or assets acquired or with entering new markets. In addition, we may lose key employees and vendors while integrating new organizations and may not effectively integrate the acquired products, technologies or businesses or achieve the anticipated revenue or cost benefits, and we might harm our relationships with our future or current technology suppliers. Future acquisitions could result in customer dissatisfaction or vendor dissatisfaction or performance problems with an acquired product, technology or company. Paying the purchase price for acquisitions in the form of cash, debt or equity securities may weaken our cash position, increase our leverage or dilute our existing shareholders, as applicable. Furthermore, a substantial portion of the price paid for these acquisitions is typically for intangible assets. We may be required to pay additional funds for earn-outs based on achievement of milestones, or may incur contingent liabilities, amortization expenses related to intangible assets or possible impairment charges related to goodwill or other intangible assets (which has occurred in the past) or become subject to litigation or other unanticipated events or circumstances relating to the acquisitions, and we may not have, or may not be able to enforce, adequate remedies in order to protect our Company. Moreover, acquisitions may result in losses, in unwanted results and wasting valuable resources, time and money.

For example, in May 2024, we acquired Acroname Inc. ("Acroname") (the acquisition of Acroname by Valens Inc., a fully owned subsidiary of Valens is referred to below as a business combination) and we may continue to acquire complementary products, technologies or businesses. These acquisitions, and the subsequent integration of the Acroname business and technologies, has diverted and may in the future divert a substantial part of our resources and management attention which could in the future adversely affect our financial results.

Our ability to raise capital in the future may be limited and could prevent us from executing our growth strategy.

Our ability to operate and expand our business depends on the availability of adequate capital, which in turn depends on cash flow generated by our business and the availability of debt, equity, or other applicable financing arrangements. We cannot assure you that our existing resources will be sufficient to meet our future liquidity needs. We may require additional capital to respond to business opportunities, challenges, acquisitions or other strategic transactions and/or unforeseen circumstances. The timing and amount of our working capital and capital expenditure requirements may vary significantly depending on numerous factors, including: market acceptance of our products; the need to adapt to changing technologies and technical requirements; the existence of opportunities for expansion; and access to and availability of sufficient management, technical, marketing and financial personnel.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain debt financing. The sale of additional equity securities or convertible debt securities would result in additional dilution to our shareholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations and our ability to incur additional debt or engage in other capital-raising activities. We have not made arrangements to obtain additional financing and there is no assurance that financing, if required, will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow and support our business and respond to business opportunities and challenges could be significantly limited.

We are exposed to a variety of financial risks, including currency risk, interest rate risk, liquidity risk, commodity price risk, credit risk and other non-insured risks, which may have an adverse effect on our financial results.

We are a global company and, as a direct consequence, movements in the financial markets may impact on our financial results. We are exposed to a variety of financial risks, including currency fluctuations, primarily due to the fact that while our functional currency is the U.S. dollar, our Israeli employees' payroll, which is a significant expense in our income statement, is paid in NIS. As a result, fluctuations in the exchange rate between the U.S. dollar and the NIS may influence our results of operations as well as period-to-period comparisons. During 2024-2025, the U.S. dollar–NIS exchange rate has experienced heightened volatility. A strengthening of the NIS relative to the U.S. dollar increases our operating expenses when translated into U.S. dollars and may influence our gross margins and operating results. We engage in foreign currency hedging transactions from time to time in an effort to reduce the potential impact of exchange rate fluctuations on our results of operations. However, our hedging activities may not be effective, may not cover all of our exposure, and may be costly to implement. In addition, we cannot guarantee that our hedging strategies will successfully offset foreign currency risks, that any hedging instruments we enter into will be sufficient to mitigate the potential impact of adverse exchange rate movements, or that such hedging will be meaningful enough to neutralize the potential effects of currency fluctuations on our financial results.

In addition, we are exposed to interest rate risk, liquidity risk, commodity price risk and credit risk and other non-insured risks. If we create debt, the rating thereof by major rating agencies may further improve or deteriorate. As a result, our additional borrowing capacity and financing costs may be impacted. Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform upon their agreed payment obligations. Credit risk is present within our trade receivables. Such exposure is reduced through ongoing credit evaluations of the financial conditions of our customers and by adjusting payment terms and credit limits when appropriate. We invest available cash and cash equivalents with various financial institutions and are in that respect exposed to credit risk with these counterparties. Cash is invested and financial transactions are concluded where possible with financial institutions with a strong credit rating. If we are unable to successfully manage these risks, they could have a material adverse effect on our business, financial condition and results of operations.

We may have difficulty attracting, motivating and retaining executives and other key employees.

Our success depends to a large extent upon the continued services of our executive officers, managers and skilled personnel, including our development engineers. Generally, our employees are not bound by obligations that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. Given these limitations, we may not be able to continue to attract, retain and motivate the qualified personnel necessary for our business.

The loss of services of any key personnel or the inability to hire new personnel with the requisite skills could restrict our ability to develop new products or enhance existing products in a timely matter, to sell products to customers or to manage our business effectively. In November 2025, we had a CEO transition, as our former CEO, Mr. Gideon Ben-Zvi, stepped down, and we announced the appointment of Mr. Yoram Salinger, a highly experienced professional with a rich history of leading successful organizations, as our new CEO.

We depend on highly skilled personnel to support our business operations. If we are unable to retain and motivate our current personnel or attract additional qualified personnel, our ability to develop and successfully market our products could be harmed.

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel. Our ability to enhance our products may be harmed if we are unable to attract and retain sufficient engineers and research and development personnel. The competition for qualified technical personnel with significant experience in the design, development, manufacturing, marketing and sales of semiconductor solutions is intense, specifically in Israel where our principal research and development activities are conducted, we face significant competition for suitably skilled engineers and research and development personnel, where the availability of such personnel is limited as well as in global markets in which we operate. Our inability to attract and retain qualified personnel, including hardware and software engineers and sales and marketing personnel, could delay the development and introduction of, and harm our ability to sell our products. Our ability to attract and retain qualified personnel also depends on how well we maintain a strong workplace culture that is attractive to employees.

Larger companies with whom we compete may allocate more resources than we do for employee recruitment and may be able to offer more favorable compensation and incentive packages than us. In addition, as a result of the intense competition for qualified human resources, the Israeli high-tech market has also experienced and may continue to experience significant wage inflation. Accordingly, our efforts to attract, retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability.

Furthermore, in making employment decisions, particularly in the high-technology industry, job candidates often consider the value of the equity they are to receive in connection with their employment. Employees may be more likely to leave us if the shares they own or the shares underlying their equity incentive awards have significantly appreciated or significantly decreased in value. Many of our employees may receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us and could heighten the risk of employee attrition.

If we cannot attract or retain a sufficient number of skilled research and development employees, our business, prospects and results of operations could be adversely affected. In order to remain competitive, we expect to continue to dedicate significant financial and other resources to expand our research and development teams in order to assist in developing new solutions, applications and enhancements to our existing products and platforms. The loss of our key personnel could harm our business, as their knowledge of our business and industry would be extremely difficult to replace.

In February 2026 we announced an efficiency plan that included a reduction of approximately 10% in our workforce. Following such events, we may experience increased difficulty in retaining and motivating our remaining employees, and we may lose institutional knowledge and technical expertise as a result of employee departures. If we are not successful in effectively transferring knowledge and responsibilities, our ability to support our existing customers at the expected quality and responsiveness levels, as well as our ability to develop new business, secure additional design wins, or execute on our growth initiatives, could be adversely affected.

We may not be able to adequately obtain, maintain, protect, defend or enforce our intellectual property rights, which could harm our competitive position.

Our success and future revenue growth depend, in part, on our ability to obtain, maintain, protect, defend and enforce our intellectual property rights. We primarily rely on patent, copyright, trademark, and trade secret laws, as well as non-disclosure agreements and other methods, to protect our proprietary technologies and processes. It is difficult and costly to monitor the use of our intellectual property and there can be no assurances that the steps we have taken to protect our proprietary technologies or processes will be effective or sufficient. It is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose, illegally or otherwise, our proprietary technologies and processes, despite our efforts to protect such proprietary technologies and processes. It is also possible that customers, employees and other third parties may breach or violate our agreements with them and make unauthorized use of our proprietary technology and processes, and we may not have adequate remedies for such breach or violation. We cannot guarantee that we have entered into such agreements with each party that may have or has had access to our proprietary technology or processes. In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. Moreover, even when we obtain agreements assigning intellectual property to us, the assignment of intellectual property rights may not be self-executing or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property.

Moreover, the semiconductor industry is generally subject to a high turnover of employees, so the risk of trade secret misappropriation may be amplified. Enforcing a claim that a party illegally disclosed or misappropriated our trade secrets or proprietary technologies and processes is difficult, expensive, and time-consuming, and the outcome is unpredictable, and therefore, we may not be able to obtain adequate remedies. If any of our trade secrets are subject to unauthorized disclosure or are otherwise misappropriated by third parties or are independently developed by competitors or other third parties, our competitive position may be materially and adversely affected.

The failure to identify any violations of our intellectual property rights could materially and adversely affect our business, financial condition and result of operations and hurt our competitive advantage.

While we currently own a significant number of patents, the patent prosecution process is expensive, time-consuming and complex, and there can be no assurances that we be able to file, prosecute, maintain, enforce or license all necessary or desirable patents and patent applications at a reasonable cost or in a timely manner. Further, there can be no assurances that any additional patents will be issued. Even if new patents are issued, the claims allowed may not be sufficiently broad to protect our technology. In addition, any of our existing patents, and any future patents, may be challenged, narrowed, declared generic or lapsed, invalidated or circumvented. As such, any rights granted under these patents may not provide us with meaningful protection or commercial advantage. Our intellectual property rights may be infringed, misappropriated or challenged, which could result in them being narrowed in scope or declared invalid or unenforceable.

In addition, the protection afforded under the patent and other intellectual property laws of one country may not be the same as that in other countries. 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 infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Therefore, our intellectual property rights may not be as strong or as easily enforced outside of the U.S. This means, for example, that our right to exclusively commercialize a product in those countries where we have patent rights for that product can vary on a country-by-country basis. We also may not have the same scope of patent protection in every country where we do business. If our patents do not adequately protect our technology, competitors may be able to offer products similar to ours. Our competitors may also be able to develop similar technology independently or design around our patents. In addition, changes in either the patent laws or interpretation of the patent laws in the U.S. and other jurisdictions could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. Court rulings may narrow the scope of patent protection available in certain circumstances and weaken the rights of patent owners in certain situations, which could also have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to compete successfully depends in part on our ability to commercialize our products without infringing, misappropriating or otherwise violating the intellectual property rights of others.

To the same extent that we seek to protect our proprietary technology, processes and other inventions with patents, copyrights, trademarks and trade secrets, our competitors and other third parties do the same for their proprietary technology, processes and other inventions. We have no means of knowing the content of patent applications filed by third parties until they are published. It is also difficult and costly to continuously monitor the intellectual property portfolios of our competitors to ensure our technologies do not infringe, misappropriate or otherwise violate the intellectual property rights of any third parties.

The semiconductor industry is ripe with patent assertion entities and is characterized by frequent litigation regarding patent and other intellectual property rights. As a public company with an increased profile and visibility, we may receive communications in the future that allege that our products or technologies infringe, misappropriate or otherwise violate third-party patents, copyrights, trademarks or other intellectual property rights. Lawsuits or other proceedings resulting from such allegations could subject us to significant liability for damages, narrow or invalidate our intellectual property or proprietary rights and adversely affect our business. Defending these proceedings may be costly and time-consuming and may divert the attention of management and key personnel from other business issues, regardless of whether there is merit to such claims. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. Under our customer agreements and other agreements, we agree in many cases to indemnify our customers if our products are alleged to infringe, misappropriate or otherwise violate a third party's intellectual property rights.

In the event that any third party succeeds in asserting a valid claim against us or any of our customers, we could be forced to do one or more of the following:

- discontinue selling, importing or using certain technologies that contain the allegedly infringing intellectual property which could cause us to stop manufacturing certain products;
- seek to develop non-infringing technologies, which may not be feasible;
- incur significant legal expenses;
- pay substantial monetary damages to the party whose intellectual property rights we may be found to be infringing; and/or
- seek licenses to the infringed technology that may not be available on commercially reasonable terms, if at all.

If a third party causes us to discontinue the use of any of our technologies, we may be required to design around those technologies. This could be costly and time-consuming and could have an adverse effect on our financial results. Claims that we have misappropriated confidential information or trade secrets of third parties could have a similar negative impact on us. Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these individuals or we have wrongfully used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. Any significant impairments of our intellectual property rights from any litigation we face could materially and adversely impact our business, financial condition, results of operations and our ability to compete in our industry.

If we fail to comply with our obligations under license or technology agreements with third parties, or if we cannot license rights to use technologies on reasonable terms, we could be required to pay damages, lose license rights that are critical to our business or be unable to commercialize new products in the future.

We license certain intellectual property and technologies that are important to our business from third parties, and in the future, we may enter into additional agreements. If we fail to comply with any of the obligations under our license or technology agreements, we may be required to pay damages and the licensor may have the right to terminate the license. Termination by the licensor (or other applicable counterparty) may cause us to lose valuable rights and could disrupt or otherwise inhibit our ability to sell our products or commercialize future products. Our business may suffer if any current or future licenses or other grants of rights to us terminate, if the licensors (or other applicable counterparties) fail to abide by the terms of the license or other applicable agreement, if the licensors fail to enforce the licensed intellectual property rights against infringing third parties, or if the licensed intellectual property rights are found to be invalid or unenforceable. Third parties from whom we currently license intellectual property and technology could refuse to renew our agreements upon their expiration or could impose additional terms and fees that we otherwise would not deem acceptable, requiring us to obtain the intellectual property or technology from another third party, if any is available, or to pay increased licensing fees or be subject to additional restrictions on our use of such third-party intellectual property or technology. In addition, the agreements under which we license intellectual property or technology from third parties may be complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology or increase what we believe to be our financial or other obligations under the relevant agreement.

In the future, we may also identify additional third-party intellectual property and technologies that we may need to license or otherwise obtain rights to in order to conduct our business, including to develop or commercialize new products. However, such licenses or other grants of rights may not be available on acceptable terms or at all. The licensing or acquisition of third-party intellectual property rights is a competitive area, and several more established companies may pursue strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, capital resources and greater development or commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign, license or otherwise grant rights to us. Even if such licenses or other grants of rights are available, we may be required to pay the licensor (or other applicable counterparty) substantial royalties based on sales of our products. Such royalties are a component of the cost of our products and may affect the margins on our products. In addition, such licenses or other grants of rights may be non-exclusive, which could give our competitors access to the same intellectual property licensed to us. Failure to obtain the necessary licenses or otherwise obtain adequate grants of rights on favorable terms, or at all, could prevent us from commercializing products, which could have a material adverse effect on our competitive position, business, financial condition and results of operations.

We may be subject to cyber-attacks or other disruptions or breaches of our information technology, systems or networks that could irreparably damage our reputation and our business, expose us to liability and materially and adversely affect our results of operations.

In conducting our business, we routinely collect, store and otherwise process proprietary, confidential or sensitive data, including personal information and proprietary technology and information about our business and our customers, suppliers and business partners, including proprietary technology and information owned by our customers. The secure maintenance, transmission and other processing of this data and information is critical to our operations and business strategy. Our employees occasionally work remotely, based on a hybrid work model, which creates a heightened risk of cyber-attacks or other disruptions to or breaches of our information technology, systems or networks.

We may be subject to cyber-attacks or other disruptions or breaches of our information technology, systems or networks caused by computer viruses, software bugs, server malfunctions, software or hardware failure, illegal hacking, criminal fraud or impersonation, ransomware attacks, denial-of-service attacks, malware, social engineering or phishing attacks, acts of vandalism or terrorism, unauthorized access, theft or employee malfeasance or error.

Cyber-attacks are increasing in number and sophistication, are well-financed, in some cases supported by state actors, and are designed to not only attack, but also to evade detection. Since the techniques used to obtain unauthorized access to information technology, systems, and networks, or to otherwise sabotage them, change frequently, have become increasingly complex and sophisticated, including through the use of AI, and are often not recognized until launched against a target, we and third parties associated with us may be unable to anticipate these techniques or to implement adequate preventative measures. Cyber-attacks can originate from a wide variety of sources, including organized crime, hackers, activists, terrorists, nation-states, nation-state supported actors and others, any of which may see their effectiveness enhanced by the use of AI.

In addition, certain global geopolitical events can increase our cybersecurity risk. For example, the geopolitical tension between Israel and the surrounding region, including Iran, can result in heightened malicious activities from state-sponsored or politically motivated cybercriminal groups. These threats include threats to harm Western countries' infrastructure and assets and specifically those of Israel.

The costs for us to reduce the risk of or remediate cybersecurity breaches and vulnerabilities could be significant. We have invested in cybersecurity technologies and protocols to mitigate potential threats, but the complexities of regional geopolitical tensions make it difficult to fully predict or protect against every potential risk. Furthermore, the evolving nature of the cybersecurity landscape, for example, by the emergence of new technologies such as AI technologies that are used to identify and target new vulnerabilities in our information technology, systems or networks or of those of our customers, vendors and other business partners, increases the challenge to predict and protect against all potential risks and there is no assurance that we will be able to promptly and effectively respond to such increasingly sophisticated threats.

Any type of security breach, attack or misuse of data, whether actual or perceived, and whether experienced by us or an associated third party, could harm our reputation or deter existing or prospective customers from using our products and applications, increase our operating expenses in order to contain and remediate the incident, expose us to unbudgeted or uninsured liability, disrupt our operations, divert management focus away from other priorities, increase our risk of regulatory scrutiny, result in litigation from customers, employees or other third parties, lead to the imposition of penalties, reporting obligations and fines under state, federal and foreign laws or by payment networks or adversely affect our continued payment network registration and financial institution sponsorship. Moreover, any such compromise of our information security could result in the loss, misappropriation, corruption or unauthorized publication of our confidential business or proprietary information or personal or sensitive information, or that of other parties with which we do business, an interruption or other failure of our information technology, systems, networks or operations, the unauthorized transfer of cash or other of our assets, the unauthorized release of customer or employee data or a violation of laws, regulations, industry standards or other legal or contractual obligations related to privacy, data protection and information security. Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack our products, or that otherwise exploit any security vulnerabilities, and any such attack, if successful, could expose us to liability to customer claims. In addition, our ability to monitor the data security of our third-party service providers or other third parties with whom we do business is limited. Certain of such third parties may store or have access to our data and may not have effective controls, processes, or practices to protect our information from loss, unauthorized disclosure, unauthorized use or misappropriation or other cyber-attacks or other disruptions to or breaches of information security. A vulnerability in such third parties' software or information technology, systems or networks, a failure of such third parties' safeguards, policies or procedures, or a cyber-attack or other disruption to or breach of information security affecting any of these third parties could irreparably damage our reputation and business. The costs related to significant cyber-attacks or other disruptions to or breaches of our information technology, systems or networks could be material and cause us to incur significant expenses. If the information technology, systems or networks of third parties associated with us become subject to cyber-attacks or other disruptions or security breaches, we may have insufficient recourse against such third parties and we may have to expend significant resources to mitigate the impact of such an event, and to develop and implement protections to prevent future events of this nature from occurring. Any of the foregoing could irreparably damage our reputation and business, which could have a material adverse effect on our results of operations.

We cannot ensure that any limitation of liability provisions in our agreements with customers, service providers, business partners and other third parties with which we do business would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim in connection with a cyber-attack or other disruption to or breach of information security. Additionally, we cannot be certain that our insurance coverage will be adequate for cybersecurity liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that our insurer will not deny coverage as to any future claim.

Our use of Artificial Intelligence technologies may not achieve intended results and could expose us to operational, competitive, regulatory and reputational risks that may adversely affect our business, financial condition and results of operations.

Artificial Intelligence (“AI”) is an emerging area of technology that may increasingly influence aspects of our business and operations. While AI has the potential to improve efficiency, it also presents various uncertainties and potential risks. We have made limited use of AI to date to support internal business functions, primarily as a work-supporting tool in software development and content research, and may expand its use in the future. These tools are used solely to enhance employee productivity and workflow efficiency. Our products and services do not incorporate AI-based features or functionality, and AI does not currently form a component of our revenue-generating offerings.

Although our use of AI tools is limited, there can be no assurance that such use will be successful or that it will not lead to unintended consequences. For example, certain AI technologies have been known to produce false or “hallucinatory” inferences or output, and certain AI technologies can create inaccurate, incomplete or misleading content, unintended biases and other discriminatory or unexpected results, errors or inadequacies, any of which may not be easily detectable. Any actual or perceived errors, biases, deficiencies or other flaws in AI algorithms or output—whether developed internally by us or provided by third parties—could result in operational inefficiencies, legal and regulatory liability, inaccurate responses to customers, poor customer experiences, or inappropriate or misleading content. These issues could negatively impact on our brand reputation, customer trust, competitive position and overall business performance. Additionally, AI is an area of rapid technological advancement and evolving competition. Our competitors may adopt or develop more effective AI-based tools and solutions, or can implement those into their products and services, thus creating a technological advantage over our offerings, which could place us at a competitive disadvantage.

Moreover, the legal and regulatory landscape surrounding AI continues to develop. The technologies underlying AI and its uses are already subject to a variety of laws and regulations, including intellectual property, privacy, data protection and information security, consumer protection, competition and equal opportunity laws and regulations, and are expected to be subject to increased regulation and new laws or new applications of existing laws and regulations. It is possible that we will not be able to anticipate how to respond to these rapidly evolving frameworks, and we could be required to expand resources to adjust our work practices in certain jurisdictions if the legal frameworks are inconsistent across jurisdictions. Furthermore, because AI technology itself is highly complex and rapidly developing, it is not possible to predict all of the legal, operational or technological risks that may arise relating to the use of AI as part of our work flows.

Additionally, any output created by us using AI may not be subject to copyright protection, which may adversely affect our intellectual property rights in, or ability to commercialize or use, any such content. In the United States, a number of civil lawsuits have been initiated related to the foregoing and other concerns, any one of which may, among other things, require us to limit the ways in which we use AI as part of the work flows. For example, the output produced by AI technologies may include information subject to certain privacy or right of publicity laws or constitute an unauthorized derivative work of the copyrighted material used in training the underlying AI model, any of which could also create a risk of liability for us. If we do not have sufficient rights to use the models, algorithms, data or other material or content on which our AI solutions rely, or the output thereof, we could also incur liability through the violation of applicable laws and regulations, third-party intellectual property, privacy or other rights, or contracts to which we are a party.

We also rely in part on third-party vendors that integrate AI into the tools and services they provide to us. Because we may have limited visibility or control over these systems, any technical errors, privacy, data protection or information security issues, or regulatory noncompliance by such vendors could negatively affect our operations.

Further, if any of our employees, contractors, consultants or third-party vendors use any third-party AI-powered software in connection with our business or the services they provide to us, it may lead to the inadvertent disclosure or incorporation of our confidential information into publicly available training sets, which may impact our ability to realize the benefit of, or adequately obtain, maintain, protect, defend and enforce our intellectual property rights or confidential information, harming our competitive position and business. In addition, the use of AI has resulted in, and may in the future result in, cyber-attacks or other breaches or disruptions that implicate the personal information or confidential information of clients of AI solutions. Our ability to mitigate risks associated with disclosure of our confidential information, including in connection with AI, will depend on our implementation, maintenance, monitoring and enforcement of appropriate technical and administrative safeguards, policies and procedures governing the use of AI in our business.

To date, our internal use of AI-enabled tools has not had a material impact on our financial condition or results of operations. However, if our reliance on such tools increases or related regulatory, operational or security risks materialize, our business, financial condition and results of operations could be adversely affected.

There may exist deficiencies in internal financial reporting controls and disclosure procedures that could adversely affect the accuracy and reliability of our periodic reporting.

Prior to September 30, 2021, Valens was a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of the effectiveness of our internal control over financial reporting.

As a public company, we are required pursuant to Section 404(a) of the Sarbanes-Oxley Act to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes the disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an “emerging growth company” pursuant to Section 404(b) of the Sarbanes-Oxley Act. Our status as an “emerging growth company” will end in 2026.

The company has designed disclosure controls and procedures to provide reasonable assurance that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. However, despite the disclosure and compliance procedures, there may from time to time exist deficiencies in our control systems that could adversely affect the accuracy and reliability of our periodic reporting. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected. Imperfections in our periodic reporting could create uncertainty regarding the reliability of our results of operations and financial results, which in turn could have a material adverse impact on our reputation or share price.

Risks Related to Laws and Regulation

Our global business requires us to comply with laws and regulations in countries across the world and exposes us to international business risks that could adversely affect our business.

We are subject to environmental, labor, health, safety, anti-corruption, tax, corporate governance, imports and exports, and other laws and regulations in Israel, the United States and other jurisdictions in which we operate. We are also required to obtain environmental permits and other authorizations or licenses from governmental authorities for certain of our operations and have to protect our intellectual property worldwide. In the jurisdictions where we operate, we need to comply with differing standards and varying practices of regulatory, tax, judicial and administrative bodies.

The business environment is also subject to many uncertainties, including the following international business risks:

- negative economic developments in economies around the world and the instability of governments, currently for example the sovereign debt situation in certain European countries;
- social and political instability in a number of countries around the world, uncertain economic, legal and political conditions in the Middle East, China, Europe and other regions where we do business, including, for example, changes in China-Taiwan relations, the military conflict between Russia and Ukraine and the related sanctions and other penalties imposed on Russia by the United States, the European Union, the United Kingdom and other countries, and the threat of war, terrorist attacks in the United States, in Europe, Middle East and Africa (EMEA), or Asia Pacific (APAC);
- pandemics or national and international environmental or other disasters, which may adversely affect our workforce, as well as our local suppliers and customers;
- adverse changes in governmental policies, especially those affecting trade and investment;
- foreign currency exchange, in particular with respect to the U.S. dollar, and transfer restrictions, in particular in Greater China; and
- threats that our operations or property could be subject to nationalization and expropriation.

No assurance can be given that we have been or will be at all times in complete compliance with the laws and regulations to which we are subject or that we have obtained or will obtain the permits and other authorizations or licenses that we need. If we violate or fail to comply with laws, regulations, permits and other authorizations or licenses, we could be fined or otherwise sanctioned by regulators. In addition, if any of the international business risks were to materialize or become worse, they could also have a material adverse effect on our business, financial condition and results of operations.

We are subject to governmental regulations and other legal obligations, particularly related to privacy, data protection and information security, across different markets where we conduct our business. Our actual or perceived failure to comply with such regulations and obligations could harm our business.

In Israel, the United States, Europe and other jurisdictions in which we operate, we are subject to various laws, industry standards, regulations and other legal and contractual obligations related to privacy, data protection and information security. Such laws and regulations are constantly evolving, subject to uncertain and inconsistent interpretation and enforcement, and also may be expanded. If we are found to have breached any such laws, standards, regulations or obligations, in any such jurisdiction, we may be subject to enforcement actions that require us to change our business practices in a manner which may negatively impact our revenue, as well as expose us to litigation, fines, civil and/or criminal penalties and adverse publicity that could cause our customers to lose trust in us, negatively impacting our reputation and business in a manner that harms our financial position.

As part of our business development, we collect, maintain, transmit, store and otherwise process information about individuals, also referred to as personal information, from our customers and suppliers. Laws, regulations and standards in Israel, the United States (both state and federal), Europe and other jurisdictions around the world restrict how personal information is collected, stored, used, disclosed and otherwise processed, as well as, among other things, set standards for its security, implement notice requirements regarding privacy practices, and provide individuals with certain rights regarding the use, disclosure and sale of their protected personal information.

For example, in the United States, various federal and state regulators, including governmental agencies like the Federal Trade Commission, have adopted, or are considering adopting, laws and regulations concerning privacy, data protection and information security. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to personal information than federal, international or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. Additionally, many statutory requirements, both in the United States and other jurisdictions, include obligations for companies to notify individuals of data breaches involving certain personal information.

Internationally, laws, regulations and standards in many jurisdictions apply broadly to the collection, use, retention, security, disclosure, transfer and other processing of personal information. For example, the EU General Data Protection Regulation (“GDPR”), together with national legislation, regulations and guidelines of the EU member states governing the processing of personal data, impose strict obligations and restrictions on the ability to collect, use, retain, protect, disclose, transfer and otherwise process personal data. In particular, the GDPR includes obligations and restrictions concerning the consent and rights of individuals to whom the personal data relates, the transfer of personal data out of the European Economic Area (“EEA”), security breach notifications and the security and confidentiality of personal data. The GDPR authorizes fines for certain violations of up to 4% of global annual revenue or €20 million, whichever is greater. Legal developments in the EEA, including rulings from the Court of Justice of the European Union and from various EU member state data protection authorities, have also created complexity and uncertainty regarding transfers of personal data from the EEA to the United States and other so-called third countries outside the EEA. While we have taken steps to mitigate the impact on us, the efficacy and longevity of these mechanisms remains uncertain.

In addition, in Israel, we are subject to the Privacy Protection Law, 5741-1981 (the “PPL”) and its regulations, as well as the guidelines of the Israeli Privacy Protection Authority (“PPA”), which govern the collection, use, retention, security, disclosure, transfer, and other processing of personal information. These include provisions governing the transfer of personal information outside the borders of Israel, as well as the handling of personal information transferred from the European Economic Area (“EEA”) and stored in databases located in Israel, or other personal information stored together with such data. Material amendments to the PPL were approved by the Israeli Parliament in August 2024 and came into effect in August 2025 (“Amendment 13”). Following Amendment 13, the PPL expands the PPA’s authority to investigate and impose monetary sanctions, which are significantly higher than those previously available, and introduces additional obligations regarding the processing of personal data, which we are in the process of implementing. Failure to comply with the PPL, its regulations, and guidelines issued by the PPA may expose us to administrative fines (which in some cases may reach millions of NIS), civil claims (including class actions), and, in certain cases, criminal liability.

Any changes in these regulations and sanctions may also require us to modify the manner in which personal data is collected, processed, and maintained by us.

We make public statements about our use and disclosure of personal information through our privacy policies, information on our website and press statements. Although we endeavor to comply with our public statements and documentation, we may at times fail to do so or be alleged to have failed to do so. The publication of our privacy policies and other statements that provide promises and assurances about privacy and data security can subject us to potential government or legal action if they are found to be deceptive, unfair or misrepresentative of our actual practices. Any concerns about our privacy, data protection and information security practices, even if unfounded, could damage our reputation and adversely affect our business.

Restrictions on the collection, use, sharing, disclosure or other processing of personal information or additional requirements and liability for security and data integrity could require us to modify our data processing practices and policies and our solutions and features, possibly in a material manner, and could subject us to increased compliance costs and obligations and regulatory scrutiny. Our failure to comply with applicable laws, regulations and other legal obligations, or to protect personal data, could result in enforcement or litigation action against us, including fines, sanctions, penalties, judgments and public censure, claims for damages by residents and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse impact on our business, financial condition and results of operations.

Failure to comply with the Foreign Corrupt Practices Act, other applicable anti-corruption and anti-bribery laws, and applicable trade control laws could subject us to penalties and other adverse consequences.

We have extensive international operations and a substantial portion of our business, particularly with respect to our manufacturing processes, is conducted outside of the United States. Our operations are subject to the U.S. Foreign Corrupt Practices Act (the “FCPA”), as well as the anti-corruption and anti-bribery laws in the countries where we do business. The FCPA prohibits covered parties from offering, promising, authorizing or giving anything of value, directly or indirectly, to a “foreign government official” with the intent of improperly influencing the official’s act or decision, inducing the official to act or refrain from acting in violation of lawful duty, or obtaining or retaining an improper business advantage. The FCPA also requires publicly traded companies to maintain records that accurately and fairly represent their transactions, and to have an adequate system of internal accounting controls. In addition, other applicable anti-corruption laws prohibit bribery of domestic government officials, and some laws that may apply to our operations prohibit commercial bribery, including giving or receiving improper payments to or from non-government parties, as well as so-called “facilitation” payments. In addition, we are subject to U.S. and other applicable trade control regulations that restrict with whom we may transact business, including the trade sanctions enforced by the U.S. Treasury, Office of Foreign Assets Control.

Though we maintain policies, internal controls and other measures reasonably designed to promote compliance with applicable anticorruption and anti-bribery laws and regulations, and certain safeguards designed to ensure compliance with U.S. trade control laws, our employees or agents may nevertheless engage in improper conduct for which we might be held responsible. Any violations of these anti-corruption or trade controls laws, or even allegations of such violations, can lead to an investigation and/or enforcement action, which could disrupt our operations, involve significant management distraction, and lead to significant costs and expenses, including legal fees. If we, or our employees or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, bans on transacting government business, delisting from securities exchanges and other consequences that may have a material adverse effect on our business, financial condition and results of operations. In addition, our reputation, our net sales or our share price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of anti-corruption, anti- bribery or trade control laws and regulations.

Environmental, health and safety (EHS) laws and regulations may expose us to liability, and such liability and compliance with these laws and regulations may adversely affect our business.

The semiconductor industry is subject to a variety of international, federal, state, local and non-U.S. laws and regulations governing pollution, environmental protection and occupational health and safety, including those relating to the release, storage, use, discharge, handling, generation, transportation, disposal, and labeling of, and human exposure to, hazardous and toxic materials, product composition, and the investigation and cleanup of contaminated sites, including sites we currently or formerly owned or operated, due to the release of hazardous materials, regardless of whether we caused such release. We are also required to obtain environmental permits from governmental authorities for some of our operations. We cannot be assured that we have been or will be at all times in complete compliance with such EHS laws, regulations and permits. Failure to comply with such EHS laws and regulations could subject us to civil or criminal costs, obligations, sanctions or property damage or personal injury claims, or suspension of our facilities’ operating permits.

Changes in EHS laws or regulations may require us to invest in costly equipment or make manufacturing process changes and may adversely affect the sourcing, supply and pricing of materials used in our products. Any such changes may require us to conduct careful audits of our vendors or even to replace vendors, which may involve costs in qualifying or making adjustments for the work with another vendor.

In the event of an incident involving hazardous materials, we could be liable for damages and such liability could exceed the amount of any liability insurance coverage and the resources of our business. In addition, in the event of the discovery of contaminants or the imposition of clean up obligations for which we are responsible, we may be required to take remedial or other measures which could have a material adverse effect on our business, financial condition and results of operations. In response to environmental concerns, some customers and government agencies impose requirements for the elimination and/or labeling of hazardous substances, such as lead (which is widely used in soldering connections in the process of semiconductor packaging and assembly), in electronic equipment, as well as requirements related to the take-back of products discarded by customers.

EHS laws and regulations have tended to become more stringent over time, causing a need to redesign technologies, imposing greater compliance costs and increasing risks and penalties associated with violations, which could seriously harm our business.

In addition, increasingly regulators, customers, investors, employees and other stakeholders are focusing on environmental, social and governance (ESG) matters and related disclosures. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations.

The Internal Revenue Service (IRS) may not agree that Valens should be treated as a non-U.S. corporation for U.S. federal income tax purposes.

Under current U.S. federal income tax law, a corporation generally will be considered to be a U.S. corporation for U.S. federal income tax purposes if it is created or organized in the United States or under the law of the United States or of any state. Accordingly, under generally applicable U.S. federal income tax rules, Valens, which is incorporated and tax resident in Israel, would generally be classified as a non-U.S. corporation for U.S. federal income tax purposes. Section 7874 of the Internal Revenue Code of 1986, as amended (the “Code”) and the Treasury regulations promulgated thereunder, however, contain specific rules that may cause a non-U.S. corporation to be treated as a U.S. corporation for U.S. federal income tax purposes. If it were determined that Valens is treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code and the Treasury regulations promulgated thereunder, Valens would be liable for U.S. federal income tax on its income in the same manner as any other U.S. corporation and certain distributions made by Valens to non-U.S. investors generally would be subject to U.S. withholding tax.

As more fully described in the section titled “*Material U.S. Federal Income Tax Considerations-U.S. Federal Income Tax Treatment of Valens-Tax Residence of Valens for U.S. Federal Income Tax Purposes*,” based on the terms of the Business Combination (as defined in Item 4A to this Annual Report) and certain facts and factual assumptions, Valens does not believe that it should be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code after the Business Combination. However, the application of Section 7874 of the Code is complex, subject to detailed Treasury regulations (the application of which is uncertain in various respects and would be impacted by changes in such regulations with possible retroactive effect) and subject to certain factual uncertainties.

Accordingly, there can be no assurance that the IRS will not challenge the status of Valens as a non-U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code or that such challenge would not be sustained by a court.

If the IRS were to successfully challenge Valens’ status as a non-U.S. corporation for U.S. federal income tax purposes, Valens and certain Valens shareholders may be subject to significant adverse tax consequences, including a higher effective corporate income tax rate on Valens and the application of U.S. withholding taxes on dividends paid on Valens Ordinary Shares to non-U.S. shareholders, subject to reduction under an applicable income tax treaty.

See “*Material U.S. Federal Income Tax Considerations-U.S. Federal Income Tax Treatment of Valens*” for a more detailed discussion of the application of Section 7874 of the Code to Valens. Investors should consult their own tax advisors regarding the application of Section 7874 of the Code to the Business Combination and the tax consequences to Valens and its shareholders if the classification of Valens as a non-U.S. corporation is not respected.

Changes to tax laws or regulations in Israel, the United States and other jurisdictions expose us to tax uncertainties and could adversely affect our results of operations or financial condition.

As a multinational business, operating in multiple jurisdictions such as Israel, the United States, the EU, Japan and China, we may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. Changes to tax laws or regulations in the jurisdictions in which we operate, or in the interpretation of such laws or regulations, could significantly increase our effective tax rate and reduce our cash flow from operating activities and otherwise have a material adverse effect on our financial condition. Since a significant portion of our operations are located in Israel, changes in tax laws or regulations in Israel could significantly affect our operating results. Further changes in the tax laws of foreign jurisdictions could arise, in particular, as a result of different initiatives undertaken by the Organization for Economic Co-operation and Development (the “OECD”). Any changes in the OECD policy or recommendations, if adopted, could increase tax uncertainty and may adversely affect our provision for income taxes and increase our tax liabilities.

In addition, other factors or events, including business combinations and investment transactions, changes in the valuation of our deferred tax assets and liabilities, adjustments to taxes upon finalization of various tax returns or as a result of deficiencies asserted by taxing authorities, increases in expenses not deductible for tax purposes, changes in available tax credits, changes in transfer pricing methodologies, other changes in the apportionment of our income and other activities among tax jurisdictions, and changes in tax rates, could also increase our effective tax rate.

We are subject to regular review and audit by Israeli and other foreign tax authorities. Although we believe our tax estimates are reasonable, the authorities in these jurisdictions could review our tax returns and impose additional taxes, interest, linkage and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination and settlement is made. We may also be liable for taxes in connection with the businesses we acquire. Our determinations are not binding on any taxing authorities, and accordingly the final determination in an audit or other proceeding may be materially different than the treatment reflected in our tax provisions, accruals and returns. An assessment of additional taxes because of an audit could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Transfer pricing rules may adversely affect our corporate income tax expenses.

Many of the jurisdictions in which we conduct business have detailed transfer pricing rules, which require contemporaneous documentation establishing that all transactions with non-resident related parties be priced using arm’s length pricing principles. The tax authorities in these jurisdictions could challenge our related party transfer pricing policies and as a consequence the tax treatment of corresponding expenses and income. International transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgment. If any of these tax authorities were to be successful in challenging our transfer pricing policies, we may be liable for additional corporate income tax, and penalties and interest related thereto, which may have a significant impact on our results of operations and financial condition.

Changes in government trade policies, including the imposition of tariffs and export restrictions, could limit our ability to sell our products to certain customers or demand from certain customers, which may materially and adversely affect our sales and results of operations.

Our business is subject to risks associated with changes in global trade policies, including the imposition of tariffs, duties, trade restrictions and other barriers to international commerce. During 2025, trade policy uncertainty increased, including renewed discussion and implementation of tariffs by the United States on certain imported goods. We expect trade policy uncertainty to continue during 2026. We rely on a global ecosystem of suppliers, manufacturing partners and customers, and our products are sold into international markets. The imposition of tariffs or other trade restrictions on semiconductors, semiconductor components, finished goods, or materials used in the production of our products, whether directly or indirectly, could increase our costs of manufacturing or procurement, reduce gross margins, disrupt supply chains, or require us to modify our sourcing, manufacturing or logistics arrangements. In addition, tariffs or retaliatory measures could increase prices for our customers, reduce demand for end products incorporating our solutions, or cause customers to delay, reduce or cancel orders.

Furthermore, changes in trade policy or tariff regimes may negatively affect our customers’ business plans, capital expenditures and production volumes. Such impacts could slow adoption of our products, lengthen sales cycles, or reduce volumes, which could adversely affect our revenues and operating results.

We may not be able to fully mitigate the impact of tariffs or trade restrictions through pricing adjustments, contractual protections, supply chain modifications or other measures. Any inability to pass through increased costs to customers, delays in implementing mitigation strategies, or additional trade actions adopted in the future could materially and adversely affect our business, financial condition and results of operations.

Specifically with respect to the U.S. market, since our current products are manufactured outside the United States, the application of tariffs can have a disproportionate impact on our business and make our products more expensive and less competitive in the U.S. market. Furthermore, changes in U.S. trade policy could trigger retaliatory actions by affected countries, which could impose restrictions on our ability to do business in or with affected countries or prohibit, reduce or discourage purchases of our products by foreign customers, leading to increased costs of components contained in our products, increased costs of manufacturing our products, and higher prices for our products in foreign markets. In addition, the U.S. government has recently adopted an aggressive trade and industrial policy focused on semiconductor self-sufficiency. Under a Presidential Proclamation issued in January 2026, the U.S. announced the imposition of a 25% Section 232 tariff on certain advanced semiconductors and products containing those semiconductors that are not intended for use in the U. S. While our legacy products are currently not subject to such tariff, the administration has indicated it may consider broader, significant tariffs on all semiconductor imports if foreign partners do not comply with U.S. onshoring targets. In February 2026, the U.S. Supreme Court ruled that certain tariffs imposed under the International Emergency Economic Powers Act (IEEPA) are unconstitutional, and the future of tariffs and trade restrictions from the U.S. market will continue to remain uncertain.

In China, the Chinese government may also impose trade policies and restrictions and may, among other things, as part of its “Made in China 2025” policy, require the use of local suppliers in place of non - Chinese suppliers like us, compel companies that do business in China to partner with local companies to conduct business and provide incentives to government-backed local customers to buy from local suppliers. Changes in, and responses to, U.S. trade policy could reduce the competitiveness of our products and cause our sales to decline, which could materially and adversely impact our business, financial condition and results of operations, as well as our ability to grow and expand our share of the Chinese market. In addition, the U.S. or foreign governments may take administrative, legislative or regulatory action that could materially interfere with our ability to sell products in certain countries and/or to certain customers, particularly in China. We cannot predict what actions may ultimately be taken with respect to tariffs or trade relations between the United States and China or other countries, what products may be subject to such actions, or what actions may be taken by the other countries in retaliation.

We will be subject to legal and regulatory consequences if we do not comply with applicable export control laws and regulations.

Products developed in Israel and other locations are subject to export controls of the applicable nation. Obtaining export licenses can be difficult, costly and time-consuming and we may not always be successful in obtaining necessary export licenses, and our failure to obtain required import or export approval for our products or limitations on our ability to export or sell our products imposed by these laws may harm our international and domestic revenues. Noncompliance with these laws could have negative consequences, including government investigations, penalties and reputational harm. The absence of comparable restrictions on competitors in other countries may adversely affect our competitive position. Failure to obtain export licenses for our products or having one or more of our customers be restricted from receiving exports from us could significantly reduce our net sales and materially and adversely affect our business, financial condition and results of operations.

Risks Related to Being a Public Company

Valens incurs increased costs as a result of operating as a public company, and its management is required to devote substantial time to new compliance initiatives.

As of September 30, 2021, Valens became a public company subject to reporting requirements in the United States, and it will incur significant legal, accounting, insurance and other expenses that it did not incur as a private company, and these expenses may increase even more after Valens is no longer an emerging growth company, as defined in Section 2(a) of the Securities Act. As a public company, Valens is subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules adopted, and to be adopted, by the SEC and the NYSE. Valens’ management and other personnel devote, and will continue to need to devote, a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased its legal and financial compliance costs and to make some activities more time-consuming and costly. For example, Valens expects these rules and regulations to make it more difficult and more expensive for it to maintain director and officer liability insurance and it may be forced to accept reduced policy limits or incur substantially higher costs to maintain the same or similar coverage. Valens cannot accurately predict or estimate the full amount or timing of additional costs it may incur to respond to these requirements. The impact of these requirements could also make it more difficult for Valens to attract and retain qualified people to serve on its board of directors, its board committees or as executive officers.

A market for Valens’ securities may not be sustained.

The price of Valens’ securities may fluctuate significantly due to general market and economic conditions. Between January 1, 2025, and December 31, 2025, the closing price of our share price fluctuated from a low of \$1.38 to a high of \$3.46, and the daily average trading volume in that period was 594,152 shares. An active trading market for Valens’ securities may not be sustained. In addition, the price of Valens’ securities can vary due to general economic conditions and forecasts, Valens’ general business condition and the release of Valens’ financial reports. The following factors may also cause significant fluctuations in the market price of our Ordinary Shares:

- negative fluctuations in our quarterly revenues and earnings or those of our competitors;
- pending sales into the market due to the sale of large blocks of shares, due to, among other reasons, the expiration of contractual lock- up with respect to significant amounts of our Ordinary Shares;

- shortfalls in our operating results compared to levels forecast by us or securities analysts;
- changes in our senior management;
- mergers and acquisitions by us or our competitors;
- technological innovations;
- the introduction of new products;
- changes in trade policy or tariffs;
- cyber-attacks or other disruptions to or breaches of our information technology, systems or networks;
- the conditions of the securities markets, particularly in the semiconductors sector; and
- political, economic and other developments in Israel and worldwide.

In addition, share prices of many technology companies in general and semiconductors companies in particular fluctuate significantly for reasons that may be unrelated or disproportionate to operating results. The factors discussed above may depress or cause volatility to our share price, regardless of our actual operating results.

Additionally, if Valens' securities become delisted from the NYSE and are quoted on the OTC Bulletin Board (an inter-dealer automated quotation system for equity securities that is not a national securities exchange), the liquidity and price of Valens' securities may be more limited than if Valens was quoted or listed on the NYSE or another national securities exchange.

The lack of an active market may impair our shareholders' ability to sell their securities at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair value of our securities. An inactive market may also impair our ability to raise capital to continue to fund operations by selling Ordinary Shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

Value Base Ltd. beneficially owns a significant amount of our shares, and its interests may conflict with ours or yours in the future.

Value Base Ltd. beneficially owns approximately 20.79% of the voting power of our Ordinary Shares. For so long as ValueBase continues to beneficially own a significant percentage of our Ordinary Shares, it may have interests that differ from ours or yours and it may vote in a way with which you disagree, and which may be adverse to your interests. See Item 7B "Related Party Transactions - Board Nomination Agreement".

Valens' internal controls over financial reporting may not be effective and its independent registered public accounting firm may not be able to attest as to their effectiveness, which could have a significant and adverse effect on Valens' business and reputation.

Under the Sarbanes-Oxley Act, among other things, Valens is required to maintain effective disclosure controls and procedures and internal control over financial reporting. Valens is continuing to develop and refine its disclosure controls, internal control over financial reporting and other procedures that are designed to ensure that information required to be disclosed by it in the reports that it will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to Valens' principal executive and financial officers. Pursuant to Section 404(a) of the Sarbanes-Oxley Act, we are required to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment needs to include disclosure of any material weaknesses identified by our management in internal control over financial reporting.

Valens' current controls and any new controls that it develops may become inadequate because of changes in conditions in its business. Further, weaknesses in Valens' internal controls may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could adversely affect Valens' operating results or cause it to fail to meet its reporting obligations and may result in a restatement of Valens' financial statements for prior periods. Any failure to implement and maintain effective internal controls also could adversely affect the results of periodic management evaluations. Since the Company is currently an "emerging growth company," as defined in the Securities Act, as modified by the Jumpstart Business Startups Act of 2012 (the "JOBS Act"), it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in Valens' reported financial and other information. In any event, we will lose our status as an emerging growth company on December 31, 2026.

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

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

We may be named as a party to several legal proceedings in the future, including litigation related to our patents and other intellectual property, which could subject us to liability, require us to indemnify our customers, require us to obtain or renew licenses, require us to stop selling our products or force us to redesign our products.

We may become a party to lawsuits, government inquiries or investigations and other legal proceedings (referred to as "litigation").

The ultimate outcome of litigation could have a material adverse effect on our business and the trading price for our securities. Litigation may be time consuming, expensive, and disruptive to normal business operations, and the outcome of litigation is difficult to predict. Litigation, regardless of the outcome, may result in significant expenditures, diversion of our management's time and attention from the operation of our business and damage to our reputation or relationship with third parties, which could materially and adversely affect our business, financial condition, results of operations, cash flows and stock price.

Risks Related to Our Incorporation and Location in Israel

Conditions in Israel, including the 2023 attack by Hamas and other terrorist organizations from the Gaza Strip and Israel's war against them, may adversely affect our business and limit our ability to market our products, which may lead to a decrease in revenues.

We are incorporated under the laws of the State of Israel, and our principal offices are located in Israel. Accordingly, political, economic and geopolitical instability in Israel may affect our business. Several countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or geopolitical instability in the region continues or increases. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturn in the economic or financial condition of Israel, could adversely affect our business.

Because most of our research and development is conducted in Israel and our management (and certain members of our board of directors) as well as a majority of our employees, are located in Israel, our business may be directly affected by economic, political, geopolitical and military conditions in Israel. Throughout the years, Israel has experienced a number of armed conflicts with its neighboring countries and terrorist organizations active in the region. These conflicts have involved missile strikes, hostile infiltrations and terrorism against civilian targets in various parts of Israel, which have negatively affected business conditions in Israel. In June 2025, a short-duration armed conflict erupted between Israel, the United States and Iran, involving strikes on Iranian military and nuclear infrastructure and retaliatory missile and drone attacks before a ceasefire was reached. The conflict drew in multiple actors and underscored the fragility of regional stability in the Middle East. Even following the ceasefire, regional tensions have remained elevated, with continuing diplomatic efforts underway to prevent further escalation and the risk of renewed hostilities persisting. This event followed the October 7th, 2023 events in Israel, in which, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets which has further evolved into an ongoing war involving Israel, Hamas and other terrorist organizations in the Gaza strip, as well as Iran-aligned groups such as Hezbollah in Lebanon and the Houthis in Yemen. As of the date of this annual report, the situation continues to be volatile and could lead to additional hostilities in Israel and the Middle East. These events may result in disruption to our operations and facilities, such as our Headquarters and R&D facilities that are located in Israel, and impact our employees, some of which are military reservists being called to active military duty, as well as impact the economic, social and political stability of Israel. The absence of our employees due to their military service may cause delays in our introduction of new technologies to the market in a timely manner, which, in turn, could adversely affect our business and ability to compete with newer generations of products introduced to the market by our competitors.

While our facilities have not been damaged during these events, the hostilities with Hamas, Hezbollah, Iran and its proxies and others have caused and may continue to cause damage to private and public facilities, infrastructure, utilities, and telecommunication networks, and potentially disrupting our operations. Our commercial insurance will not necessarily cover losses that may occur as a result of events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of certain direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that such government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business.

During the years ended December 31, 2025, and 2024, the impact of this war on the Company's results of operations and financial condition was immaterial, but such impact may increase, as a result of the continuation, escalation or expansion of armed conflicts.

In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods and services. Such efforts, particularly if they become more widespread, may materially and adversely impact our ability to sell and provide our products and services outside of Israel.

Investors' rights and responsibilities as our shareholders will be governed by Israeli law, which differs in some respects from the rights and responsibilities of shareholders of non-Israeli companies.

We were incorporated under Israeli law and the rights and responsibilities of our shareholders are governed by our articles of association and Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders of U.S. and other non- Israeli corporations. In particular, a shareholder of an Israeli company has a duty 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. A shareholder also has a general duty to refrain from discriminating against other shareholders. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of an office holder in the company has a duty to act in fairness towards the company. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of U.S. corporations.

Provisions of Israeli law and our amended and restated articles of association may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.

Provisions of Israeli law and our amended and restated articles of association could have the effect of delaying or preventing a change in control and may make it more difficult for a third-party to acquire us or our shareholders to elect different individuals to our board of directors, even if doing so would be considered to be beneficial by some of our shareholders, and may limit the price that investors may be willing to pay in the future for our Ordinary Shares. Among other things:

- Israeli corporate law regulates mergers and requires that a tender offer be effected when more than a specified percentage of shares in a company are purchased;
- Israeli corporate law requires special approvals for certain transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions;
- Israeli corporate law does not provide for shareholder action by written consent for public companies, thereby requiring all shareholder actions to be taken at a general meeting of shareholders;
- our amended and restated articles of association divide our directors into three classes, each of which is elected once every three years;
- our amended and restated articles of association generally require a vote of the holders of a majority of our outstanding Ordinary Shares entitled to vote present and voting on the matter at a general meeting of shareholders (referred to as simple majority), and the amendment of a limited number of provisions, such as the provision dividing our directors into three classes, requires a vote of the holders of 65% of the total voting power of our shareholders;
- our amended and restated articles of association do not permit a director to be removed except by a vote of the holders of at least 65% of the total voting power of our shareholders; and
- our amended and restated articles of association provide that director vacancies may be filled by our board of directors.

Further, Israeli tax considerations may make potential transactions undesirable to us or some of our shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including, a holding period of two years from the date of the transaction during which certain sales and dispositions of shares of the participating companies are restricted. 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.

Our amended and restated articles of association provide that unless the Company consents otherwise, the competent courts of Tel Aviv, Israel shall be the sole and exclusive forum for substantially all disputes between the Company and its shareholders under the Companies Law and the Israeli Securities Law, which could limit our shareholders' ability to bring claims and proceedings against, as well as obtain favorable judicial forum for disputes with the Company, its directors, officers and other employees.

Unless we agree otherwise, the competent courts of Tel Aviv, Israel shall be the exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer, or other employee of the Company to the Company or the Company's shareholders, or (iii) any action asserting a claim arising pursuant to any provision of the Companies Law or the Israeli Securities Law. Such exclusive forum provision in our amended and restated articles of association will not relieve the Company of its duties to comply with federal securities laws and the rules and regulations thereunder, and shareholders of the Company will not be deemed to have waived the Company's compliance with these laws, rules and regulations. This exclusive forum provision may limit a shareholder's ability to bring a claim in a judicial forum of its choosing for disputes with the Company or its directors or other employees which may discourage lawsuits against the Company, its directors, officers and employees. The foregoing exclusive forum provision is intended to apply to claims arising under Israeli law and would not apply to claims for which the federal courts would have exclusive jurisdiction, whether by law (as is the case under the Exchange Act) or pursuant to our amended and restated articles of association, including claims under the Securities Act for which there is a separate exclusive forum provision in our amended and restated articles of association. However, the enforceability of similar forum provisions (including exclusive federal forum provisions for actions, suits or proceedings asserting a cause of action arising under the Securities Act) in other companies' organizational documents has been challenged in legal proceedings and there is uncertainty as to whether courts would enforce the exclusive forum provisions in our amended and restated articles of association. If a court were to find the choice of forum provision contained in our amended and restated articles of association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations.

Our amended and restated articles of association provide that unless we consent to an alternate forum, the federal district courts of the United States shall be the exclusive forum of resolution of any claims arising under the Securities Act which may impose additional litigation costs on our shareholders.

Our amended and restated articles of association provide that the federal district courts of the United States shall be the exclusive forum for the resolution of any claims arising under the Securities Act or the federal forum provision in our amended and restated articles of association (the "Federal Forum Provision"). While the Federal Forum Provision does not restrict the ability of our shareholders to bring claims under the Securities Act, nor does it affect the remedies available thereunder if such claims are successful, we recognize that it may limit shareholders' ability to bring a claim in the judicial forum that they find favorable and may increase certain litigation costs which may discourage the filing of claims under the Securities Act against the Company, its directors and officers. However, the enforceability of similar forum provisions (including exclusive federal forum provisions for actions, suits or proceedings asserting a cause of action arising under the Securities Act) in other companies' organizational documents has been challenged in legal proceedings and there is uncertainty as to whether courts would enforce the exclusive forum provisions in our amended and restated articles of association. If a court were to find the choice of forum provision contained in our amended and restated articles of association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations.

We have received Israeli government grants for certain research and development activities. The terms of those grants require us to satisfy specified conditions as defined in Israel's Encouragement of Research, Development and Technological Innovation in Industry Law, 5744- 1984 (the "Innovation Law").

We received Israeli government grants for certain of our research and development activities. When a company develops know-how, technology or products using grants from the Israel Innovation Authority of the Israeli Ministry of Innovation, Science and Technology (formerly known as Office of Chief Scientist) ("IIA"), the terms of these grants and the Innovation Law restrict the transfer or license of such know-how, and the transfer of manufacturing or manufacturing rights of such products, technologies or know-how outside of Israel, without the prior approval of the IIA. Therefore, the discretionary approval of an IIA committee would be required for any transfer or license to third parties inside or outside of Israel of know how or for the transfer outside of Israel of manufacturing or manufacturing rights related to those aspects of such technologies. We may not receive those approvals, in the future, while in the past the Company did receive approvals of requests submitted by it according to the Innovation Law, including for the manufacturing of Company products outside of Israel.

Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer technology or development outside of Israel.

The transfer or license of IIA-supported technology or know-how outside of Israel and the transfer of manufacturing of IIA-supported products, technology or know-how outside of Israel, may require payment to the IIA of amounts which are determined taking into consideration the following elements: (i) the value of the transferred or licensed technology or know-how; (ii) our research and development expenses; (iii) the amount of IIA accumulated grants. Over the years, Valens has received various grants from the IIA in the total amount of \$6 million, out of which the latest grants in the amount of \$2.05 million were received from the IIA in 2016; (iv) accumulated revenue-based royalties already paid by the Company; and (v) the time that has passed since the completion of IIA supported period and other factors. These restrictions and requirements for payment may impair our ability to sell, license or otherwise transfer our technology assets outside of Israel or to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel. Furthermore, despite the fact that as of December 31, 2019 the Company paid in full all the grants received from the IIA, Valens remains subject to the restrictions and obligations under the Innovation Law described above, and the net consideration available to our shareholders in certain transactions (such as a merger or similar change of control transaction) involving the transfer outside of Israel of technology or know-how developed with IIA funding may be reduced by any amounts that we may be required to pay to the IIA.

Certain tax benefits that may be available to Valens, if obtained by Valens, would require it to meet various conditions and may be terminated or reduced in the future, which could increase Valens' costs and taxes.

Valens may be eligible for certain tax benefits provided to "Preferred Technological Enterprises" under the Israeli Law for the Encouragement of Capital Investments, 5719-1959, referred to as the Investment Law. If Valens obtains tax benefits under the "Preferred Technological Enterprises" regime then, in order to remain eligible for such tax benefits, it will need to continue to meet certain conditions stipulated in the Investment Law and its regulations, as amended. If these tax benefits are reduced, cancelled or discontinued, Valens' Israeli taxable income may be subject to the Israeli corporate tax rate of 23% (the rate known as of the date of this annual report). Additionally, if Valens increases its activities outside of Israel through acquisitions, for example, its activities might not be eligible for inclusion in future Israeli tax benefit programs. See "*Certain Material Israeli Tax Considerations*."

It may be difficult to enforce a U.S. judgment against Valens, its officers and directors in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on Valens' officers and directors.

Most of Valens' directors or officers are not residents of the United States and most of their and Valens' assets are located outside the United States. Service of process upon Valens or its non-U.S. resident directors and officers and enforcement of judgments obtained in the United States against Valens or its non-U.S. directors and executive officers may be difficult to obtain within the United States, although our amended and restated articles of association provide that unless we consent to an alternate forum, the federal district courts of the United States shall be the exclusive forum of resolution of any claims arising under the Securities Act. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws against Valens or its non-U.S. officers and directors because Israel may not be the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above. Israeli courts might not enforce judgments rendered outside Israel, which may make it difficult to collect on judgments rendered against Valens or its non- U.S. officers and directors.

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

Risks Related to Ownership of Our Shares and Warrants

Valens' Articles and Israeli law could prevent a takeover that shareholders consider favorable and could also reduce the market price of Valens Ordinary Shares.

Certain provisions of Israeli law and Valens' Articles could have the effect of delaying or preventing a change in control and may make it more difficult for a third party to acquire Valens or for Valens' shareholders to elect different individuals to its board of directors, even if doing so would be beneficial to its shareholders and may limit the price that investors may be willing to pay in the future for Valens' Ordinary Shares. For example, Israeli corporate law regulates mergers and requires that a tender offer be affected when certain thresholds of percentage ownership of voting power in a company are exceeded (subject to certain conditions). Further, Israeli tax considerations may make potential transactions undesirable to Valens or to some of its shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax. Payment of dividends may be subject to Israeli withholding taxes. See Item 10.E. "*Taxation-Taxation and government programs-Israeli tax considerations and government programs*" for additional information.

We have never declared or paid any cash dividends. Further, we do not intend to pay dividends for the foreseeable future. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our Ordinary Shares in the foreseeable future.

Our board of directors has sole discretion whether to pay dividends. If Valens' board of directors decides to pay dividends, the form, frequency, and amount will depend upon its future, operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that its directors may deem relevant. The Israeli Companies Law, 5759-1999 (the "Companies Law") imposes restrictions on Valens' ability to declare and pay dividends. See "*Description of share capital and articles of association-Dividend and liquidation rights*" for additional information.

The market price and trading volume of Valens' Ordinary Shares may be volatile and could decline significantly.

The stock markets, including the NYSE on which our Ordinary Shares and warrants are listed under the symbol "VLN" and "VLNW" respectively, have from time-to-time experienced significant price and volume fluctuations. The market price of our Ordinary Shares and warrants may be volatile and could decline significantly. In addition, the trading volume in our Ordinary Shares and warrants may fluctuate and cause significant price variations to occur. If the market price of our Ordinary Shares and warrants declines significantly, shareholders may be unable to resell their shares or warrants at or above the market price of the Ordinary Shares and warrants. The market price of our Ordinary Shares and warrants might fluctuate widely or decline significantly in the future in response to a number of factors, including, among others, the following:

- the realization of any of the risk factors presented in this Annual Report;

- actual or anticipated differences in Valens' estimates, or in the estimates of analysts, for Valens' revenues, earnings, results of operations, level of indebtedness, liquidity or financial condition;
- additions and departures of key personnel;
- failure to comply with the requirements of the NYSE;
- failure to comply with the Sarbanes-Oxley Act or other laws or regulations;
- publication of research reports about Valens;
- the performance and market valuations of other similar companies;
- failure of securities analysts to initiate or maintain coverage of Valens, changes in financial estimates by any securities analysts who follow Valens or Valens' failure to meet these estimates or the expectations of investors;
- new laws, regulations, subsidies, or credits or new interpretations of existing laws applicable to Valens;
- commencement of, or involvement in, litigation involving Valens;
- broad disruptions in the financial markets, including sudden disruptions in the credit markets;
- speculation in the press or investment community;
- actual, potential or perceived control, accounting or reporting problems;
- the failure to achieve our current or future business plans;
- changes in accounting principles, policies and guidelines; and
- other events or factors, including those resulting from infectious diseases, health epidemics and pandemics, natural disasters, war, cyber-attacks or other disruptions to or breaches of our information technology, systems or networks, trade wars, acts of terrorism or responses to these events.

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

If securities or industry analysts do not publish or cease publishing research or reports about Valens, its business, or its market, or if they change their recommendations regarding Valens' Ordinary Shares adversely, then the price and trading volume of Valens' Ordinary Shares could decline.

The trading market for Valens' Ordinary Shares will be influenced by the research and reports that industry or financial analysts publish about its business. Valens does not control these analysts, or the content and opinions included in their reports. In addition, Valens cannot guarantee a wide research coverage and the analysts who publish information about Valens Ordinary Shares will have relatively little experience with Valens, which could affect their ability to accurately forecast Valens' results and make it more likely that Valens fails to meet their estimates. In the event Valens obtains industry or financial analyst coverage, if any of the analysts who cover Valens issues an inaccurate or unfavorable opinion regarding it, Valens' share price would likely decline. In addition, the share prices of many companies in the technology industry have declined significantly after those companies have failed to meet, or significantly exceed, the financial guidance publicly announced by the companies or the expectations of analysts. If Valens' financial results fail to meet, or significantly exceed, its announced guidance or the expectations of analysts or public investors, analysts could downgrade their ratings of Valens Ordinary Shares or publish unfavorable research about it. If one or more of these analysts cease coverage of Valens or fail to publish reports on it regularly, Valens' visibility in the financial markets could decrease, which in turn could cause its share price or trading volume to decline.

Valens' failure to meet the continued listing requirements of the NYSE could result in a delisting of its Securities.

If Valens fails to satisfy the continued listing requirements of the NYSE such as the corporate governance requirements or the minimum closing bid price requirement, the NYSE may take steps to delist its securities. Such a delisting would likely have a negative effect on the price of the securities and would impair your ability to sell or purchase the securities when you wish to do so. In the event of a delisting, Valens can provide no assurance that any action taken by it to restore compliance with listing requirements would allow its securities to become listed again, stabilize the market price or improve the liquidity of its securities, prevent its securities from dropping below the NYSE minimum bid price requirement or prevent future non-compliance with the NYSE's listing requirements. Additionally, if Valens' securities become delisted from the NYSE for any reason, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of Valens' securities may be more limited than if it were quoted or listed on the NYSE or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

Valens is an emerging growth company within the meaning of the Securities Act and takes advantage of certain exemptions from disclosure requirements available to emerging growth companies, this could make Valens' securities less attractive to investors and may make it more difficult to compare Valens' performance with other public companies. We will lose our status as an emerging growth company on December 31, 2026.

Valens is treated as an emerging growth company, as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised financial accounting standards until such time as those standards apply to private companies. Valens intends to take advantage of this extended transition period under the JOBS Act for adopting new or revised financial accounting standards.

For as long as Valens continues to be an emerging growth company, it may also take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. As a result, its shareholders may not have access to certain information that they may deem important. Valens could be an emerging growth company for up to five years following its initial public offering, which period will end on December 31, 2026.

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

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

Because we qualify as a foreign private issuer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and although we follow Israeli laws and regulations with regard to such matters, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including: (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, foreign private issuers will be required to file their annual report on Form 20-F by 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, even though we are contractually obligated and intend to make interim reports available to our shareholders, copies of which we are required to furnish to the SEC on a Form 6-K, and even though we are required to file reports on Form 6-K disclosing whatever information we have made or are required to make public pursuant to Israeli law or distribute to our shareholders and that is material to our company, you may not have the same protections afforded to shareholders of companies that are United States domestic issuers.

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

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on June 30, 2026. In the future, we would lose our foreign private issuer status if (1) more than 50% of our outstanding voting securities are owned by U.S. residents and (2) a majority of our directors or executive officers are U.S. citizens or residents, or we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. If we lose our foreign private issuer status, we will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the listing rules of the New York Stock Exchange. As a U.S. listed public company that is not a foreign private issuer, we will incur significant additional legal, accounting and other expenses that we will not incur as a foreign private issuer.

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

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

Due to fluctuations in the market price of Valens’ Ordinary Shares, there is a significant risk that Valens may be a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes for 2026 or one or more future taxable years, which could result in adverse U.S. federal income tax consequences to U.S. investors in Valens Ordinary Shares or Valens warrants.

A non-U.S. corporation generally will be treated as a PFIC for U.S. federal income tax purposes for any taxable year if either (1) at least 75% of its gross income for such year is passive income or (2) at least 50% of the value of its assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce, or are held for the production of, passive income (including cash). For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and capital gains. Goodwill and other intangibles are generally treated as active assets to the extent associated with business activities that produce active income.

Although Valens has not obtained independent valuations of its assets (including goodwill and other intangibles) for its taxable year ending 2025, and thus is not in a position to make a definitive determination as to whether it was a PFIC in 2025, based on the composition of its income and assets during 2025 and the estimated value of its assets (which is based on its average market capitalization during 2025), Valens believes that it was not a PFIC for 2025. However, there can be no assurances in this regard. The application of the PFIC rules is subject to uncertainty in several respects, and Valens cannot assure you that the IRS will not take a contrary position or that a court will not sustain such a challenge by the IRS. Furthermore, because of the volatility of Valens’ market capitalization in recent years, whether Valens will be a PFIC for 2026 and future taxable years is uncertain. The determination of whether Valens is a PFIC is an annual factual determination that depends on, among other things, the composition of Valens’ income and assets, and the value of its and its subsidiaries’ shares and assets from time to time (including the value of Valens’ goodwill and other intangibles, which may be determined, in large part, by reference to the market price of Valens’ Ordinary Shares from time to time, which has been, and may continue to be, volatile). As a result, the average value of Valens’ goodwill and other intangibles as well as other active assets may not be sufficiently large in relation to the average value of its passive assets for any taxable year. In particular, because the value of Valens’ goodwill and other intangibles may be determined by reference to the market price of Valens Ordinary Shares from time to time, and because Valens holds and may continue to hold significant amounts of cash and other passive assets, if Valens’ market capitalization continues to fluctuate or declines, then there is a significant risk that Valens may be a PFIC for 2026.

If Valens is a PFIC for any taxable year, a U.S. investor who owns Valens Ordinary Shares or Valens warrants may be subject to adverse tax consequences and additional information reporting obligations. For a further discussion, see “*Material U.S. Federal Income Tax Considerations- U.S. Federal Income Tax Considerations of Ownership and Disposition of Valens Ordinary Shares and Valens Warrants to U.S. Holders-Passive Foreign Investment Company Rules.*” U.S. investors who own Valens Ordinary Shares and/or Valens warrants should consult their tax advisors regarding the potential application of these rules to Valens and the ownership of Valens Ordinary Shares and/or Valens warrants.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Valens was incorporated on October 26, 2006, as a private limited liability company under the laws of the State of Israel. We are registered under the Companies Law as Valens Semiconductor Ltd., and our registration number with the Israeli Registrar of Companies is 51-388704-2.

We are domiciled in Israel and our registered office is currently located at 8 Hanagar St. POB 7152, Hod Hasharon 4501309, Israel, also currently serving as our principal executive offices. Our telephone number is +972-(9)762-6900.

Our capital expenditures amounted to \$1.1 million, \$1.9 million, and \$1.2 million during the fiscal years ended December 31, 2025, 2024 and 2023, respectively, primarily consisting of expenditures related to Research & Development (“R&D”) equipment. For information on the Company’s current capital expenditures, see *“Part I, Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.”*

We are subject to certain of the informational filing requirements of the Exchange Act. Our SEC filings are available to you on the SEC’s website at <http://www.sec.gov.com>, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (including, in our case, our annual reports on Form 20-F, our reports of foreign private issuer on Form 6-K, any amendments to these reports, as well as certain other SEC filings). We also make available on our website, free of charge, all such SEC filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is <https://www.valens.com/>. The references to the SEC’s and our website are inactive textual references only, and information contained therein or connected thereto is not incorporated into this Annual Report. Since we are a “foreign private issuer,” we and our officers, directors and principal shareholders are exempt from certain rules and regulations under the Exchange Act. For more information, see *“Part II, Item 10. Additional Information—H. Documents on Display.”*

B. BUSINESS OVERVIEW

Our Mission

Our mission is to be a leading global provider of high-performance connectivity solutions. We aim to transform digital connectivity across industries by providing reliable, resilient and optimized solutions for long distance connectivity over simple, low-cost wiring infrastructure, enabling cutting-edge innovation across verticals in automotive, audio-video and other adjacent markets.

Our Company

Valens is a high-performance connectivity company, providing chipsets that allow for the wired distribution of large amounts of data over long distances.

Operating in a fabless model, Valens has two main business units. The first is the Cross-Industry Business Unit, which encompasses Professional Audio-Video (verticals include Video Conferencing, Education, Digital Signage, Entertainment), Industrial Vision (verticals include Machine Vision and Embedded Vision) and Medical. The second is the Automotive Business Unit (verticals include In-Cabin, ADAS, and Long Vehicles).

In professional audio-video, Valens is the incumbent provider of chipsets that comply with the HDBaseT standard. Backed by the HDBaseT Alliance, which is co-managed by Valens, LG, Samsung and Sony Pictures, HDBaseT gained the Company a leadership position in the market. Valens has sold tens of millions of HDBaseT chipsets, with a customer base comprised of almost all of the world’s major consumer electronics companies.

Valens is also exploring opportunities for leveraging its core technology in other adjacent markets.

In the automotive industry, Valens is the leading provider of chipsets that comply with MIPI A-PHY, a connectivity standard that is an enabler for Advanced Driver-Assistance Systems (“ADAS”) and Automated Driving Systems (“ADS”). Valens is the first in the industry to offer A-PHY-compliant chipsets, and the first to achieve design wins with global OEMs.

Valens’ first generation of automotive connectivity chipsets is the solution powering the Mercedes-Benz infotainment system, across all Mercedes-Benz passenger car models. Revenues from this engagement began in 2021.

Cross-Industry Business

Professional Audio-Video

Valens' long-range wired connectivity technology has gained it a leadership position in the professional audio-video industry.

The Company's connectivity technology supports the digitization of wired connectivity and is used by key leading audio-video product manufacturers, including Crestron, EPSON, Extron, Harman, Legrand | AV, LG Electronics, Logitech, NEC, Panasonic, Samsung, Siemens, Sony, Sennheiser and many more. These companies have created thousands of electronic devices that embed Valens' technology as part of their connectivity solution, in millions of products globally, across a variety of verticals such as videoconferencing, education, industrial, medical, digital signage, and more.

The Company's high performance connectivity technology enables the simultaneous delivery of ultra-high-definition digital video and audio, Ethernet, USB, control signals, and power, all through a single low cost, long-reach cable. The technology is a hardware-based solution, with no high-level software dependency, enabling true plug-and-play digital connectivity, converging these multiple interfaces over the simplest cabling infrastructure, ultimately providing in a lower total cost of ownership, a seamless user experience without compromising on quality. This includes connecting ultra-HD video sources and remote displays, such as high-resolution projectors and displays, audio-source and outputs and other USB peripherals, such as high-resolution cameras and recording devices.

Professional Audio-Video is characterized by a diversified set of verticals, such as Video Conferencing, Education, Digital Signage, and Entertainment. The increasing need for remote collaboration and communication across these verticals creates constantly evolving business opportunities for Valens. Valens' offerings are suitable for all types of meeting rooms, from large corporate boardrooms to huddle rooms, and small office/home office setups (known as SoHo), as well as classrooms with video collaboration systems, allowing for hybrid learning. Valens' solutions can be deployed wherever long-distance high-definition connectivity solutions are required, for time sensitive applications that require zero latency (a few micro-seconds of latency are commonly perceived in the industry as "zero latency" and referred to herein as "zero latency").

Industrial Vision

Industrial Vision represents another important market for the Company. Valens has been active in the Industrial market for over a decade, primarily offering extension solutions for Industrial PCs (IPCs), allowing their placement in remote environments, with Keyboard, Video, Mouse (KVM) capabilities and superior EMC performance. Valens chips can be found in the products of the largest IPC vendors, including B&R and Siemens.

Recently, the Industrial Vision market has grown in importance with the rise of Machine and Embedded vision. The demand for increased factory automation has resulted in the integration of machine vision systems. Primarily based on fast-frame rate cameras, these systems ultimately are connected across a sprawling factory floor to an Industrial PC. One example of a machine vision industrial application that is clearly becoming dominant is Quality and Assurance, where connected cameras augment or replace the human eye to visually inspect and identify faulty products. Existing connectivity solutions on the market – GigE Vision, USB3 Vision, and CoaXPress – are insufficient in providing a reliable solution for this application. Valens' automotive-grade solutions are relevant for this market, offering highly robust connectivity for machine vision.

Concurrently, there has been a rise in demand for embedded vision solutions, which involve the deployment of multiple cameras providing data for interpretation by AI algorithms, for applications such as drones, AMR robots, humanoid robots, agricultural vehicles, and more. AI models rely on vast amounts of high-resolution image data, which must be transmitted reliably and efficiently. This can be achieved with Valens' connectivity solutions (MIPI CSI-2), that can natively interface with AI processors, allowing for the streamlined deployment of automotive-grade connectivity for such applications.

Valens chipsets offer important advantages in Industrial Vision. First, the chips support high resolution video, increasing the precision of automated vision solutions. Second, the chips are standardized, facilitating the implementation of smaller form factor camera modules. Due to size restrictions across relevant applications, the market has been trying to miniaturize the size of cameras in some of the machine vision applications, including robot arms. Valens' standardized solutions allow for the removal from the camera module of the Image Signal Processor (ISP), a relatively large component. Third, Valens solutions demonstrate strong resilience for Electromagnetic Interferences (EMI) which is highly important for ensuring 24/7 operation in what can be noisy electromagnetic environments.

Valens' products provide simple and affordable solutions for extending CSI-2 and USB, two interfaces that are widely used in the Industrial Vision market. For additional details see "Company Products."

As connectivity in the industrial environment is challenging, the demand for distribution of massive amounts of data, in a secure and efficient manner, over long distances, requires robust connectivity technology. Valens chipsets offer the high-performance connectivity required to support innovation in this industry.

Medical

Valens has long been active in the medical industry, and we continue to see growing interest in our data-extension capabilities. Our chipsets deliver a high-level of safety with zero latency, and high-bandwidth uncompressed video connectivity, which is required for medical imaging devices such as MRIs, CTs, X-Rays, and robotic surgery. Another need in the medical space is the extension of high-quality images from the cameras to the video processing units and visual displays, which require greater bandwidth. An example is high-quality medical procedure recording. Another example is robotics-assisted guided surgery, with training services before the procedure and recordings after, all done without breaking the sterile field as the processes can securely and accurately be done from a distance. Valens chips can be found in the products from market leaders, including Siemens, Drager, and Eizo.

Within the medical industry, endoscopies are growing globally. These non-invasive medical procedures involve the insertion of a long, thin tube inside the body of the patient. The tube often contains electrosurgical instruments used to cut, coagulate, desiccate, or fulgurate tissues, as well as a camera to allow the medical professional to see and maneuver inside the body. This application requires high-bandwidth connectivity to support superior video, as well as strong immunity to Electromagnetic Interferences (EMI) for error-free links unaffected by the electrosurgical equipment. To this end, Valens has introduced to market a pioneering solution with a built-in electro-surgical noise canceller, able to handle the high-bandwidth error-free video, while also coexisting with LEDs and control signals over the same cable. The solution has proven product-market fit, as in 2025, Valens announced that three global OEMs will launch the first endoscopes based on Valens chipsets.

Endoscopes are notoriously difficult to clean; over the years, many people have gotten sick, and some have died, due to improper cleaning of endoscopes. Disposable endoscopes will eliminate the risk of infection. Valens is well positioned to benefit from a transition to disposable endoscope architecture, which is ultimately expected to replace reusable devices. This transition will take time, as new devices are required to undergo regulatory approval processes. However, when the transition happens, Valens solutions are expected to be a perfect fit for this architecture due to the chips' small form factor, low power consumption and a resilient, precise technology.

Automotive

In-Cabin

Valens has taken its first steps in the automotive market through its engagement with Mercedes Benz, leveraging the core technology used in its audio-video chipsets, by providing data connectivity for in-vehicle infotainment and telematics systems. Valens powers Mercedes' infotainment system, offering one of the highest-bandwidth infotainment connectivity solutions on the road today. The multi-gigabit connectivity solution is running over Unshielded Twisted Pair (UTP) wiring currently deployed in vehicles, supporting the aggregation of multiple interfaces for feature-rich infotainment and telematics systems.

Revenues from this engagement began in 2021 and continued since. Today, the Company's chips are deployed across a broad range of Mercedes passenger car models, including the S, C and E-class models, as well as the Electric Vehicle (EV) models.

ADAS

Valens' position as a company that sets industry standards was once again confirmed in 2020 when the MIPI Alliance selected Valens' technology to form the baseline for its high-speed in-vehicle video connectivity standard (MIPI A-PHY). The MIPI Alliance is the standardization body that develops and drives connectivity specifications for interfaces widely used by carmakers around the world. Companies that participated in the development of the standard included Intel, MediaTek, ON Semiconductor, Qualcomm, Robert Bosch GmbH, ST Microelectronics, Synopsys, Toshiba and others. In 2021, the IEEE Standards Association also adopted A-PHY as an IEEE standard.

In late 2021, Valens introduced the first chipsets in the industry to comply with the MIPI A-PHY standard, providing a reliable and resilient solution for high-speed in-vehicle connectivity. These second-generation automotive chips provide a connectivity solution for high resolution sensors to compute units. This use-case is necessary for ADAS and 360-degree perception sensors, as well as for applications such as autopilot, surround view, parking assist, and reverse assist.

2024 marked a milestone year in which three OEMs, which belong to a group of automotive brands, selected Valens' MIPI A-PHY chipsets for their next-generation ADAS connectivity, with commercialization expected in 2027. In early 2026, Valens secured a 4th A-PHY design win with a premium carmaker serving the Chinese market, reinforcing the connectivity standard as a frontrunner for next-generation ADAS and autonomous systems.

Valens continues to make progress with many other leading players across the automotive ecosystem, including, OEMs, Tier 1s, and System on Chip (SoC) vendors, cameras, radars, and lidars, in the evaluation of our A-PHY-based solutions and the pipeline of opportunities continued to expand. Although we are witnessing slower and longer decision making around new technology adoption, we believe that these evaluations will eventually mature to the selection of our A-PHY technology by OEMs, following the completion of their evaluations and decision-making processes.

In 2025, we continued the collaboration with key industry players to expand the A-PHY based connectivity solutions ecosystem. To mention a few, Valens completed interoperability testing with seven A-PHY silicon vendors: Analogix, ESWIN Technology, Motorcomm, OmniVision Technologies, Silergy, SimChip (since purchased by Southchip), and Velink, as well as with Sony Semiconductor Solutions, who released to the market a first CMOS image sensor for automotive applications with built-in MIPI A-PHY interface. In addition, Valens was selected as the connectivity solution of choice for the EyeQ6H by Mobileye, an industry leader in ADAS and autonomous driving.

In general, the market demand for MIPI A-PHY is driven, in part, by a transformation within the automotive industry towards software-defined, highly autonomous vehicles. To enable these evolutions, cars are anticipated to:

- be equipped with a growing number of sensors
- combine multiple sensor types – cameras, lidars and radars; and
- be supported by intelligently connected architectures, which will require increased link bandwidth to deliver aggregated sensor data, video and functionality required by safety applications, in real time.

Valens' solution is scalable, allowing it to bolster the evolution of car architecture and the growing need for in-vehicle high-bandwidth connectivity. Valens' chipsets address the needs of the increasingly interconnected centralized vehicle computer systems, such as ADAS, ADS, infotainment, and telematics as well as applications such as auto-pilot, surround-view, parking assist, and reverse assist.

Long Vehicles

Valens offers chipsets family that deliver robust connectivity for long-reach automotive applications. In addition to solution provided to Stoneridge for tractor-trailer connectivity, in 2025 we added long-reach capabilities to our VA7000 family. The chipsets offer high-bandwidth, long distance connectivity while supplying power and controls over the cable. This solution further supports applications such as surround view and rear-view visibility in a market that suffers from a lack of reliable visibility solutions due to the complex technical challenge of long-distance connectivity in a rough EMC environment.

Valens chipsets for long vehicles have been evaluated by Stoneridge, a leading designer and manufacturer of highly engineered electrical and electronic vehicle systems. This project continued in 2025 and included stringent on-road evaluations by fleets. Valens' second-generation chipsets for long vehicles are also being evaluated by Tier-1 suppliers.

Our Technology

Backed by more than 100 patents, Valens Semiconductor's core technology is built on advanced digital signal processing (DSP) and robust error handling mechanisms, ensuring reliable high-speed connectivity in complex and demanding environments. These capabilities form the backbone of our solutions across industries, including professional audio-video, automotive, and industrial.

Valens' DSP-based architecture compensates for channel impairments, adapting dynamically to variations in the transmission environment, preserving signal fidelity over extended link distances and enabling robust operation even under challenging conditions. Unlike conventional approaches that rely heavily on shielding, Valens' DSP technology continuously tracks and adjusts to real-time channel conditions.

Error correction is seamlessly integrated into the physical layer, employing Dynamically Modulated Local Retransmission ("DMLR") to address data corruption caused by EMI. This process operates within strict latency constraints, ensuring that retransmitted packets do not disrupt the flow of data.

The robustness and efficiency of Valens' core technology has led to its adoption as the foundation for two major industry standards: HDBaseT and MIPI A-PHY.

Valens invented the HDBaseT connectivity technology and co-founded the HDBaseT Alliance, together with LG, Samsung, and Sony Pictures, as a standards association promoting HDBaseT technology. HDBaseT provides the most optimized solution for a myriad of verticals and applications, addressing the market connectivity needs for long distance transmission, convergence, low-cost and simplicity. HDBaseT is the global standard for the convergence and distribution of ultra-high-definition video & audio, Ethernet, control signals, USB and up to 100W of power over a single, low cost commonly used cable for up to 328 feet/100 meters. HDBaseT eliminates cable clutter without compromising performance or high quality.

Furthermore, Valens asymmetric technology was selected as the baseline of the MIPI Alliance's standard for high-speed video connectivity in cars. Our superior connectivity mechanisms ensure connectivity resilience with "on-line" error correction, adaptive equalization, and real-time noise cancelers. Valens' highly efficient hardware-based solution is optimized for asymmetric links, with no software stack, leading to a simplified architecture, which in turn guarantees reduction in cost and wire harness complexity. The data transmission is done without any compression at Zero Latency, for very long distances while providing diagnostic capabilities on the link's quality. These are all the foundations for enhanced ADAS applications and software defined vehicle architectures that require powerful sensor data aggregation and software/data separation.

We believe the following attributes collectively differentiate our technology and create a higher barrier to entry:

- Validated as baseline for different connectivity standards.
- Multi-gigabit bandwidth of uncompressed content with zero latency and error-free links over long distances.
- Valens' superior PHY with integrated DSP ensures safety and resilience in error correction, adaptive equalization, and real-time noise cancelers, as it is specifically designed to transmit high-performance video and data in challenging EMC environments.
- Robust and adaptive mechanisms that are able to deal with automotive-related challenges such as cable aging, temperature changes, and more, while guaranteeing safety even in the harsh automotive environment.
- Valens' chipsets simplify connectivity between multiple applications deployed over the same link, including the unique capability and flexibility to support and extend a variety of protocols (such as USB and Ethernet) for both symmetric and asymmetric applications.

By addressing the challenges of high-speed data transmission in complex environments, Valens delivers solutions that are reliable, scalable, and future-ready.

Our Strengths

We believe that our competitive advantages are based on the following key strengths:

- ***An industry standard leader in two large and growing markets - Professional Audio-Video and Automotive.*** We set the standard for long-range connectivity and gained market share in the professional audio-video market with our HDBaseT technology and believe we are well positioned to repeat this success in the even larger automotive industry with our A-PHY compliant chipsets.
- ***Product-market fit in high growth-potential markets – Industrial Vision and Medical.*** Valens’ solutions are suitable for applications in markets that have high long-term growth potential, such as industrial and medical.
- ***Disruptive technological solutions.*** Our technological solutions are based on advanced, scalable, resilient to noise, secure DSP. This allows us to provide one of the safest, most resilient, high-speed and reliable in-vehicle connectivity solutions, all transmitted through standard, simple, low cost, low weight wires and connectors, enabling advanced electronic architecture in cars, such as software-defined vehicles, that require powerful sensor data aggregation and software/data separation. Our technology’s ability to provide a reliable connectivity solution even in the face of the increasing electromagnetic compatibility (EMC) challenge in the automotive environment is another competitive advantage of Valens.
- ***High quality products.*** We continuously strive to provide the highest quality products in all markets in which we operate. Since we started serving the automotive market, we adopted measures to meet the relevant automotive industry standards (such as AEC-Q100 Qualification), and our customers’ specific quality control requirements. We are also certified for ISO-26262 (Road Vehicle Functional Safety). These quality measures contributed to the improvement of our quality control over our entire product portfolio.

In addition, we implement an Automotive Quality Excellence program, with an internal goal to constantly improve our product quality by actively acting to minimize the Defect Parts Per Million (“DPPM”). Being a fabless company, we are compliant with VDA6.3 and have successfully passed several automotive Tier 1 and OEM quality audits. As part of our subcontractor quality management, it is our requirement that all the subcontractors along our supply chain meet the applicable standards, and periodically, we perform audits based on these standards.

- ***Our ability to power cross-industry innovation by leveraging our technologies and products.*** We penetrated the automotive market with chipsets that were based on the technology originally used for the audio-video market. In parallel, we are seeing demand from our non-automotive customers for the advanced connectivity products that we designed for automotive applications, allowing us to expand in additional verticals. In re-utilizing our chipsets across industries, we manage to maintain relatively low R&D investment, accelerating the return on our development investment.
- ***Strong relationships with customers and partners.*** We currently supply components in mass volume to Mercedes-Benz, a leading Automotive OEM, which embeds our chipsets in multiple platforms through various Tier 1 suppliers such as Bosch, Continental, and Valeo, and we continue to work on strengthening these relationships with these industry leading customers and build on our reliable reputation to continue success and further grow our automotive business. In Professional Audio-Video, we maintain strong relationships with our long-term customers, among them are key leading audio-video product manufacturers, including Crestron, EPSON, Extron, Legrand | AV, LG Electronics, Logitech, Panasonic, Samsung, Sony and many more.
- ***Building a strong ecosystem momentum towards adoption by Automotive OEMs and Tier 1s.*** In 2025 the number of prospective automotive customers and partners evaluating our A-PHY compliant chipsets, continued to grow, including leading OEMs and Tier 1 suppliers, and significant progress was made in existing evaluation processes. For more information, see “Part I, Item 4. Information on the Company—B. Business Overview, Our Company, Automotive”.
- ***Leading market position in audio-video connectivity.*** We are the incumbent and vendor of choice for major players in the audio-video connectivity space. These companies drive the market trends, and we are there to support them in driving the change. We believe that our leading market position strengthens our ability to continue serving this core market and capitalize on growing demand for high-performance connectivity solutions, also in adjacent markets where needs are rising, such as industrial, education, medical and other verticals that will emerge in the future. The advantages of our technology make it an optimal connectivity solution to support the increasing need for Artificial Intelligence (AI) based applications in robust connectivity solutions that allow the distribution of ever-increasing data.

- **Established technological leadership, strong intellectual property, and system-level expertise with no software stack.** We believe our technology leadership is based on our strong intellectual property portfolio. Our core competence is in our superior physical (PHY) layer that enables us to provide the most optimized connectivity solution for a wide variety of applications and speed, by utilizing advanced DSP with no software stack, which is a burden that commonly characterizes solutions competing with the connectivity solutions we offer. Additionally, we believe our integration capabilities coupled with our system-level knowledge, due to close customer collaboration, enable us to understand our customers' specific system requirements and effectively adapt to meet their needs.
- **Proven management team:** We have a strong track record of execution and an experienced management team. Our executive management team's experience in effectively guiding companies through various industry cycles and technology transitions provides us with reliable leadership, experienced in executing through change, and maintaining stability during market uncertainty. Our management successfully and responsibly navigated the Company through global challenges that affected the markets in which we operate in recent years and will continue to do so in the face of future challenges we may experience.

Our Growth Opportunities/Strategies

Valens is focused on organic growth across industries. Supplementing this, and leveraging the company's strong balance sheet, Valens may seek opportunities for inorganic growth, by pursuing target companies that, together with Valens, will be characterized by synergistic value creation. Our first acquisition was in 2024 when Valens acquired Acroname, a pioneering company specializing in advanced automation and control technologies for the professional AV and industrial vision markets.

We intend to grow our business through the following key areas:

Cross Industry Business

Professional Audio-Video:

- Video conferencing is evolving with the rise of hybrid work, and video quality and intelligent automation now define the conference experience. Meeting rooms designed for high equity between local and remote participants are driving this shift, requiring every endpoint, from displays to peripherals, to deliver high bandwidth and real-time responsiveness with zero latency. These modern meeting rooms are driving two key trends that Valens could capitalize on: the rise of uncompressed 4K video and the growing importance of next-generation USB.

Valens has solutions that answer both these needs: the only solution for the long-range distribution of uncompressed video (HDMI 2.0), with zero latency, over category cable; and the first ASIC-based USB 3.2 high performance extension solution. Together, Valens is expected to capture a significant opportunity in the growing video conferencing market.

Industrial Vision

- Automotive-grade connectivity is in high demand for the Industrial Vision market, both for Machine Vision (IPC connectivity for factory floor automation) and Embedded Vision (AI SoC connectivity for drones, AMR robots, humanoid robots, agricultural vehicles, etc.) Valens is the leading provider of chipsets that comply with the MIPI A-PHY automotive standard for high-speed sensor connectivity, which has been shown to offer significant advantages to the Industrial Vision markets.

Medical

- We intend to pursue opportunities arising from the repurposing of the automotive-grade VA7000 chipset for endoscope applications. Endoscopies require high-resolution video, thin simple cabling and of course – strong performance that is resilient to the electrical surges created by cautery and other operations, all have requirements that can be fulfilled with our connectivity solutions. The transition to disposable tools, in an attempt to avoid complex and inefficient cleaning of endoscopes, increases the opportunities for Valens in this field. In 2025, Valens established a foothold in the industry, with three design wins with endoscope OEMs for designs based on our MIPI A-PHY compliant chipset – VA7000.

Automotive

- **ADAS:** Valens is a key supplier of chipsets that comply with the MIPI A-PHY standard. Valens plans to continue to invest in causing the market to adopt A-PHY as the automotive connectivity solution of choice, to address the need in high performance connectivity solutions for rising data rates resulting from higher resolution ADAS systems.

The adoption of Valens A-PHY-based automotive connectivity solution by three leading European OEMs in 2024, may serve as a catalyst for wider adoption of the technology by other manufacturers.

Company Products

Our product portfolio includes over 20 products across a range of high-performance semiconductors and other components that are in turn integrated into a range of technological applications, including:

Cross-Industry

- **VS100™ family** — Valens’ first chipsets, which revolutionized the audio-video market by enabling transmission of uncompressed ultra-high-definition video, audio, control, and power, with near-zero latency, over a single LAN cable, according to the HDBaseT Alliance’s Spec 1.0.
- **VS2000™ family** — Second generation of HDBaseT chipsets (Spec 2.0), supporting the transmission of ultra-HD video, audio, Ethernet, controls, USB 2.0, and power, over a LAN or fiber cable, with near-zero latency. It enables point-to-point, daisy-chaining, and multi-streaming.
- **VS3000™ family** — The first and only Application Specific Integrated Circuit (“ASIC”) in the industry that enables the long-distance transmission of uncompressed 4K@60Hz 4:4:4. It enables transmission of HDMI 2.0 (18Gbps) including HDCP, based on Spec 3.0 of HDBaseT technology, convergence of audio, video, 1Gbps Ethernet, USB 2.0, controls, and power, with Zero Latency, over a category cable (e.g., Cat 6A).
- **VA6000™ family** — (originally developed for automotive) small-form factor chipset; a cost-effective and flexible solution that enables the convergence of multiple interfaces, including audio (I2S, S/PDIF), Ethernet, USB 2.0, and controls with Zero Latency, over a single Unshielded Twisted Pair (“UTP”) cable. Its use in audio-video applications demonstrates our ability to leverage technologies and power cross-industry innovations.
- **VA7000™ family** — (originally developed for automotive) Low-power, small-form factor chipset that supports camera serial interface (“CSI”) extension over low-cost cable infrastructure, making it ideal for extending multiple cameras in Industrial, Medical, and videoconferencing applications. Bandwidth and reach combinations surpass industry standards
- **Valens USB and Power Extender** — a plug and play solution to extend USB and power over a single standard category cable, for distances of up to 328ft/100m.
- **Valens VS6320 chipset** — a high-performance and efficient long-distance single-chip extension solution solving the increasing demand for higher bandwidth for USB peripherals in videoconferencing, IT, industrial and medical applications, providing extension for high-performance USB3.2 Gen1 at up to 328ft/100m (Superspeed 5Gbps) and USB2 (480Mbps), as well as all types of USB transfer protocols (BULK, ISO, INT, Control) and dedicated control signals (UART, GPIO), all over simple category cables.

Automotive

- **VA6000™ family** — Valens’ first chipsets for Automotive. The highest bandwidth long-reach symmetric solution deployed in vehicles today, supporting the aggregation of multiple interfaces for feature-rich infotainment and telematics systems. The chipsets are designed to deliver resilient, multi-gig, long-distance connectivity over the simplest wiring and connector infrastructure. VA6003 is a derivative product of the VA6000, which brings significant power reduction, with a very efficient cost performance. It is designed to fit advanced infotainment use-cases and next generation of telematics units and smart antennas, requiring low power and resilient connectivity.
- **VA7000™ family** — Valens’ asymmetric automotive chipsets, which supports connectivity of CSI-2-based cameras, radars, LiDARs, and other sensors, with link speeds of up to 8Gbps. Operates over standard, cost-effective, in-vehicle wires for up to 15 meters (50 feet), with 4 inline connectors. The VA7000 is the product on the market that complies with the MIPI A-PHY standard, and the first to support multi-gig connectivity over low-cost unshielded cables and connectors.

KEY PRODUCTS BY ACRONAME

- **USBHub3c** — USB Type-C Hub with Power Delivery Analyzer + Tester with 8 programmable ports | USB 10Gbps.
- **USBHub3+** — Designed for demanding industrial environments, the USBHub3+ is a USB 5Gbps Hub with 8 programmable ports.
- **USBHub2x4** — Hi-Speed USB compatible hub featuring 4 device downstream ports with standard USB Type-A connectors.
- **USB-C Switch** — USB-C-Switch is a programmable, bi-directional 4-channel USB type-C port selector.
- **USBExt3c Extender Standard Kit** — USB-C hub with integrated bidirectional USB and power extension and automatic host switching from either end of the extension, powered by the Valens VS6320.

COMPANY PRODUCT FAMILIES BY APPLICATION

Market Segments	Applications	Product Series					
		VS100	VS2000	VS3000	VS6320	VA6000	VA7000
Video Conferencing Offering a complete suite of multimedia distribution solutions, Valens is a market leader with chipsets that power innovation and meet the evolving needs of the hybrid video conferencing market.	■ UC&C ■ Multi-camera Systems ■ Projectors & Displays	✓	✓	✓	✓	✓	✓
Education Classrooms are digitizing, with the proliferation of cameras, interactive whiteboards, and more. Valens has the versatile, plug-and-play media distribution solution to support hybrid classrooms.	■ Hybrid Classrooms ■ Interactive Whiteboards ■ Projectors	✓	✓	✓	✓	✓	✓
Digital Signage Smart and simple digital signage architectures with uncompressed, zero-latency connectivity for longer link distances and reliable 24/7 operation.	■ Video Walls ■ Outdoor Displays ■ Interactive Kiosks	✓	✓	✓	✓		
Medical In an industry that cannot compromise on quality, Valens chipsets support the highest resolution video imaging with no latency, enabling robotic surgeries, disposal endoscopies, and digital operating rooms.	■ Medical Imaging ■ Medical Cameras & Endoscopes ■ Digital Operating Rooms	✓	✓	✓	✓	✓	✓
Industrial Vision With a rich offering of high-performance connectivity solutions, Valens guarantees seamless factory automation for the industrial market.	■ Machine Vision ■ Embedded Vision	✓	✓	✓	✓		✓
Entertainment The highest performance connectivity solution for entertainment setups, from home theaters to super-size immersive video walls and projection mapping.	■ Museums & Exhibits ■ Sports & Live Events ■ Home Theatres	✓	✓	✓	✓	✓	
ADAS & Autonomous As data rates rise with the proliferation of sensors and displays in vehicles, OEMs are facing technological barriers on their quest to reach higher levels of autonomy. Valens' high-performance connectivity chipsets are the foundation upon which OEMs can level up. Valens chipsets support high bandwidth, zero latency and flawless performance, meeting the evolving requirements for enhanced ADAS and safety applications	■ Cameras ■ Centralized Radar ■ LiDAR						✓
In-Cabin Cars have become entertainment centers on wheels, leading to a need for a connectivity solution that can reliably handle the high bandwidth requirements of next-generation digital cockpits. Valens chipsets form the data foundation for an enhanced and seamless in-cabin experience.	■ Infotainment ■ Driver monitoring (including surround view) ■ E-mirrors					✓	✓
Long Vehicles With industry leading resilience and link distance, Valens chipsets bring unprecedented visibility to truck drivers around the world.	■ Rear-view visibility ■ Sensor aggregation ■ Front/side cameras					✓	✓

We work in a fabless model, i.e., we outsource all our manufacturing operations, utilizing third-party foundry, assembly, and testing facilities. We primarily manufacture our products through contract manufacturers in Taiwan and Europe. As of today, all our silicon wafers, which are the basic element of any semiconductor product, are designed to be manufactured at TSMC, the largest foundry in the world. In 2025 the Company announced a partnership with Samsung Foundry to fabricate the future MIPI A-PHY chipsets of the Company using its advanced automotive process node. We use third party contract manufacturers for our assembly and test operations, including Advanced Semiconductor Engineering ('ASE'), and UTAC. Lastly, all chips are tested in accordance with specially designed programs developed specifically for each product family. Along the product life cycle, we continuously invest in the improvement of testing to improve manufacturing yield and reduce production costs. We store our product inventory in certain locations, mainly in Asia and Europe, close to many of our customers' manufacturing facilities.

Sales, Marketing and Customer Support

We sell our products worldwide through multiple sales channels, including through our direct sales force and through distributors and independent sales representatives, which resell our products to numerous end customers. Approximately 40% and 34% of our net sales in fiscal years 2025 and 2024 respectively were made to distributors.

Our direct sales force and applications engineers provide our customers with specialized technical support. We believe that maintaining a close relationship with our customers and serving their specific technical needs improves their level of satisfaction and enables us to anticipate and influence their future product needs. We provide ongoing technical training for our distributor and sales representatives to keep them informed of our existing and new products.

Our internal marketing organization is responsible for increasing our brand awareness and promoting our products to prospective customers and partners. This includes the creative management of our website, market research and analytics, and development of demand generation strategies and materials such as product announcements, brochures, training and videos, as well as securing thought leadership through published technical and trend articles and advertisements, and active engagement in key industry events.

Customers

Our installed customer base consists of major players in the audio-video space, automotive OEMs and Tier-1 suppliers. In the audio-video market, we serve the leading manufacturers of video distribution equipment, displays, projectors, cameras, video bars, industrial PCs, and healthcare equipment. We have a wide distribution of our revenues across over 200 customers (not including Acroname's customers). In 2025 and 2024, our three largest customers, each year, collectively represented approximately 31% and 38% of our total revenue, respectively.

In the automotive space, we typically promote our products to the OEMs who are in most cases the final decision makers on the technology that will be deployed in their cars, as well as to Tier 2 automotive suppliers, with actual sales made to Tier 1s. Our contracts are typically based on short-term purchase orders that comply with our products' lead time.

Competition

The semiconductor industry is highly competitive and is characterized by constant and rapid technological change. Our competitors range from large, international companies offering a wide range of products to smaller companies specializing in narrow markets. The competitive landscape is changing as a result of a consolidation trends within many industries, as some of our competitors have merged with or been acquired by other competitors, while others have begun collaborating with each other. We expect competition in the markets in which we participate to continue to increase as existing competitors improve or expand their product offerings, as the switching costs between connectivity technologies in the automotive industry are not insignificant, and as new companies enter the market. Additionally, our ability to compete in the industries in which we operate depends on many factors, including our ability to collaborate with other industry players, identify emerging markets and technology trends in an accurate and timely manner, introduce new and innovative technologies and products, implement advanced manufacturing technologies at a sustainable pace, maintain the performance and quality of our products, and manufacture our products in a cost-effective manner.

Intellectual Property

We consider the strength of our intellectual property portfolio to be among our most significant competitive advantages. The protection of our technology and intellectual property and proprietary rights is therefore an important aspect of our business. We rely on a combination of patent, trade secret, trademark and copyright laws, confidentiality and non-disclosure agreements, and technical measures to establish, maintain and protect our intellectual property rights and proprietary technologies and processes. As of February 1, 2026, we owned approximately 134 issued patents, and 6 pending patent applications in USA, China, Japan, South Korea and the European Patent Office (EPO). Our patents generally cover a wide variety of areas relevant to our products, specifically covering our innovation in the areas of convergence of multiple-data types/multi-stream over the same wires and robust operation under severe Electromagnetic Interference (“EMI”).

Our proprietary, internally developed know-how is an important element of our intellectual property portfolio. The development of technological solutions requires sophisticated coordination among many specialized employees. We believe that duplication of this coordination by competitors or individuals seeking to copy our platform would be complex and lengthy. The risk of a competitor replicating the functionality of our platform is further mitigated by the fact that our service product offerings do not include exposure of source code, as our solution is based on hardware (integrated circuits) and software that is delivered as binary code. However, it is possible that competitors or unauthorized third parties may obtain, copy, use or disclose, illegally or otherwise, our proprietary technologies and processes, despite our efforts to protect such proprietary technologies and processes.

We cannot guarantee that any of our pending patent applications will be granted, that our current or subsequently issued patents or trademarks will be effective to protect our intellectual property rights, that any of our pending patent applications will result in issued patents, that any of our intellectual property rights will provide us with any meaningful protection or commercial advantage, or that others will not infringe, misappropriate, or violate our intellectual property rights. In addition, while there is no active litigation involving any of our patents or other intellectual property rights, we may be required to enforce or defend our intellectual property rights against third parties in the future.

For additional information on risks associated with our intellectual property, see sections titled “Risk Factors—Risks Related to Our Business and Industry—“We may not be able to adequately obtain, maintain, protect, defend or enforce our intellectual property rights, which could harm our competitive position,” “Risk Factors—Risks Related to Our Business and Industry—Our ability to compete successfully depends in part on our ability to commercialize our products without infringing, misappropriating or otherwise violating intellectual property rights of others,” “Risk Factors—Risks Related to Our Business and Industry—If we fail to comply with our obligations under license or technology agreements with third parties, or if we cannot license rights to use technologies on reasonable terms, we could be required to pay damages, lose license rights that are critical to our business or be unable to commercialize new products in the future,” and “Risk Factors—Risks Related to Being a Public Company—We may be named as a party to several legal proceedings in the future, including litigation related to our patents and other intellectual property, which could subject us to liability, require us to indemnify our customers, require us to obtain or renew licenses, require us to stop selling our products or force us to redesign our products.”

Regulation

Our operations are subject to various environmental, labor, health, safety, export control and other laws and regulations in Israel, the United States and other jurisdictions in which we operate. We are also required to obtain authorizations or licenses from governmental authorities for certain of our operations and have to protect our intellectual property worldwide. In the jurisdictions in which we operate, we need to comply with differing standards and varying practices of regulatory, tax, judicial and administrative bodies. Any failure on our part to comply with these laws and regulations may subject us to significant fines or other civil or criminal costs, obligations, sanctions or property damage or personal injury claims, or suspension of our facilities’ operating permits. Compliance with current or export control, future environmental and occupational health and safety laws and regulations could restrict our ability to expand our business or require us to modify processes or incur other substantial expenses which could harm our business.

As part of our business development, we also collect some information about individuals, also referred to as personal information, from our customers and suppliers. Laws and regulations in Israel, the United States (both federal and state regulations), the EU General Data Protection Regulation, or the GDPR, and other jurisdictions around the world restrict how personal information is collected, stored, used, disclosed, and otherwise processed, as well as, among other things, set standards for its security, implement notice requirements regarding privacy practices, and provide individuals with certain rights regarding the use, disclosure and sale of their protected personal information.

Although our current products serve for connectivity purposes and not for the collection, storage and processing of personal data and information, changes in regulation or changes in certain future use-cases for our products that will include requirements and liability for protection and information security could require us to modify our solutions and features, possibly in a material manner, which could potentially limit our ability to develop new products and features and subject us to increased compliance obligations and regulatory scrutiny. See “Risk Factors—Risks Related to Laws and Regulation.”

Human Capital

Our success depends on our continued ability to attract, motivate and retain our workforce. As the source of our technological and product innovations, our engineering and technical personnel are a significant asset. Competition for these and other talented employees is significant in Israel where we are headquartered and operate. We measure our employees' engagement by our voluntary attrition rate and employee feedback.

As of December 31, 2025, we had 233 employees and contractors, primarily based in Israel, compared to 259 employees and contractors, as of December 31, 2024. Our research and development team is the largest department in the Company and draws from a broad spectrum of backgrounds and experiences, with strong engineering, analog mix signal, DSP, VLSI, and software capabilities. In January 2026, we announced a plan to improve operational efficiency, which includes a reduction in force across the Company's departments by approximately 10%.

Facilities

Our principal executive office is located in Hod Hasharon, Israel. In addition to our Israeli headquarters, we have offices in the United States, Asia and Europe. We lease each of our offices. We believe that our current facilities are adequate to meet our immediate needs.

Legal Proceedings

From time to time, we may become a party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

C. ORGANIZATIONAL STRUCTURE

The Company has subsidiaries in the United States, China, Germany and Japan, which are listed below, as of December 31, 2025 (all subsidiaries are 100% owned, directly or indirectly, by Valens Semiconductor Ltd.)

Name of Subsidiary	Jurisdiction of Organization
Valens Semiconductor Inc.	U.S. (Delaware)
Valens Merger Sub Inc. ("Merger Sub")	U.S. (Delaware)
Valens Trading (Shanghai) Co. Ltd.	China
Valens Semiconductor GmbH	Germany
Valens Japan Ltd.	Japan
Acroname Inc.	U.S. (Colorado)

D. PROPERTY, PLANTS AND EQUIPMENT

Our corporate headquarter is in Hod Hasharon, Israel, where we occupy an office space totaling approximately 59,201 square feet (5,500 square meter), under a lease agreement that expires in February 2029.

In addition, we have offices in:

1. Texas, USA, where we occupy an office space totaling approximately 1,760 square feet, under a lease agreement that expired in December 2024 and renewed for an additional term until December 2027.
2. Colorado, USA, where Acroname occupies an office space totaling approximately 4,750 square feet, under a lease agreement that expires in July 2029.
3. Tokyo, Japan, where we occupy an office space totaling approximately 280 square feet, under a lease agreement that expired in November 2025 and renewed for an additional term until November 2027.
4. Shenzhen, China, where we occupy an office space totaling approximately 2,010 square feet, under a lease agreement that expired in July 2024 and was renewed for an additional term until July 2026.
5. Shanghai, China, where we occupy an office space totaling approximately 1,080 square feet, under a lease agreement that expires in June 2027.

Our offices outside of Israel support functions across sales and marketing, as well as services, research and development.

E. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS

This operating and financial review should be read together with the section captioned “Part I, Item 4, Information on the Company—B. Business Overview” and our consolidated financial statements and the related notes to those statements prepared in accordance with U.S. GAAP and included elsewhere in this Annual Report. Among other things, those financial statements include more detailed information regarding the basis of preparation for the following information.

For discussion related to our financial condition, changes in financial condition, and the results of operations for 2024^(COB) compared to 2023, refer to Part I, Item 5. Operating and Financial Review and Prospects, in our Annual Report on Form 20-F for the fiscal year ended December 31, 2024, which was filed with the U.S. Securities and Exchange Commission on February 26, 2025 and which is hereby incorporated by reference.

This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under “Part I, Item 3.D. Risk Factors” and elsewhere in this Annual Report, our actual results may differ materially from those anticipated in these forward-looking statements. Please see “Special Note About Forward-Looking Statements and Risk Factor Summary” in this Annual Report.

Overview

Valens is the high-performance connectivity company, providing chipsets that allow for the wired distribution of large amounts of data over long distances.

Operating in a fabless model, Valens has two main business units. The first is the Cross-Industry Business Unit, which encompasses Professional Audio-Video (verticals include Video Conferencing, Education, Digital Signage, Entertainment), Industrial Vision (verticals include Machine Vision and Embedded Vision) and Medical. The second is the Automotive Business Unit (verticals include In-Cabin, ADAS, and Long Vehicles).

In professional audio-video, Valens is the incumbent provider of chipsets that comply with the HDBaseT standard. Backed by the HDBaseT Alliance, which is co-managed by Valens, LG, Samsung and Sony Pictures, HDBaseT gained the Company a leadership position in the market. As of December 2025, Valens has sold tens of millions of HDBaseT chipsets, with a customer base comprised of almost all of the world’s major consumer electronics companies.

Valens is also leveraging its core technology to expand into new markets that have vast business potential, including industrial vision and medical endoscopes.

In the automotive industry, Valens is the leading provider of chipsets that comply with MIPI A-PHY, a connectivity standard that is gaining traction as an enabler for Advanced Driver-Assistance Systems (“ADAS”) and Automated Driving Systems (“ADS”). Valens is the first in the industry to offer A-PHY-compliant chipsets, and the first to achieve design wins with global OEMs.

Valens’ first generation of automotive connectivity chipsets is the solution powering the Mercedes-Benz MBUX infotainment system, across all Mercedes-Benz passenger car models. Revenues from this engagement began in 2021 and continued since.

Key Factors and Trends Affecting Our Performance

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section entitled “Risk Factors.”

Design Wins with New and Existing Customers

Valens’ technology is a key enabling technology for both audio-video applications and the automotive market. Since our solutions are sold as part of a broader platform developed by the OEMs and system vendors, it is critical that we achieve a deep level of cooperation, partnership, and joint planning by technical and strategic teams to win designs with these customers. Our customers are continuously developing new products in existing and new application areas, and we work closely with them to understand their product roadmaps and strategies.

The time required to achieve design wins varies based on the market and application. The design cycle in the automotive market tends to be substantially longer and more onerous than in most of the verticals comprising our Cross-Industry Business.

The design win cycle is typically divided to three stages: in the first stage, the customer evaluates our chipsets and decides whether to embed them into its own new product. In Professional Audio Video, this stage can take around six months. In Industrial Vision, this stage can take longer, i.e., between six to twelve months. In the Automotive segment, this stage can take between twelve to eighteen months.

In the second stage, the customer develops the new product, in which our chipset is embedded. In Professional Audio Video, this stage can take around six to nine months. In Industrial Vision, this stage may take longer - between nine to twelve months. In Automotive, this stage is the longest - between twenty-four and thirty months.

During the first and second stages, Valens does not generate any meaningful revenues. However, as of the completion of the development of the product by the customer and its gradual transit into mass production, Valens generates revenues from the sales of the chipset that was embedded inside the customer's product, which usually has a life cycle of three to five years in Professional Audio Video or five to seven years in Industrial Vision and Automotive. As a result, our future revenue is highly dependent on our continued investment in new products and our success at winning design awards from our customers.

The process is typically lengthy and may require us to incur significant design and development expenditures in pursuit of a design win, with no assurance that our solutions will be selected. As a result, the loss of any key design win or any significant delay in the ramp-up of volume production of the customers' products into which our chipset is embedded could adversely affect our business. In addition, volume production is contingent upon the successful market introduction and acceptance of our customers' end products, which may be affected by several factors beyond our control.

Continuing to Acquire New Customers

Our operating results and growth opportunity depend, in part, on our ability to attract new customers. We currently have strong base of paying customers, and we continue to focus our efforts on increasing the number of customers that use our products.

We continuously seek to improve the connectivity solutions we offer, at higher bandwidth, zero latency, and lower costs. We believe this creates significant opportunities for our Company.

For ADAS and autonomous driving, OEMs are incorporating a growing number of sensors, cameras and displays inside their vehicles, as the industry shifts toward centralized computing, sensor fusion, zonal architecture, and software-defined vehicles. The volume of data that must be transported and processed across the vehicle is increasing dramatically, resulting in massive bandwidth requirements that we expect to continue growing in the coming years. This is driving an unprecedented demand for high-performance in-vehicle connectivity.

In addition, as safety remains a top priority for automotive OEMs, there is a growing proliferation of ADAS systems across vehicle models, many of which combine cameras with radars and lidars. Valens is agnostic to the types of sensors being deployed in cars, since they all require long-reach, zero latency, and high-speed connectivity in order to detect and act upon safety events within micro-seconds.

Customer Demand, Orders and Forecasts

In 2025 we experienced an increase in demand for our semiconductor products in our Cross Industry Business segment.

Our customers entered into 2024 with high inventory levels and were more careful with their inventory building in light of the shorter lead-times that were back to normal levels after a period of a shortage of semiconductor products, and the high-interest rate economic environment. This was in addition to a slow inventory digestion by our Cross-Industry Business customers, mainly in the Professional Audio-Video vertical. 2025 was characterized by a recovery of the market and an increased demand for our products, mainly in the Professional Audio-Video vertical.

In the Automotive segment, the demand for our products is affected by the demand for Mercedes-Benz cars, which in turn, can be affected by changes in tariff rates. 2025 was characterized by a continuation of decline in the number of product units sold by us for installation in Mercedes-Benz cars, coupled with an erosion in the average selling price (ASP).

Although we often receive a 12-month forecast from our customers, these forecasts, are generally not binding and may be unreliable. Our sales are typically made based on purchase orders with fixed volumes and according to our then applicable lead times. These purchase orders are usually non-cancellable, although we provide our customers with restricted rescheduling options.

Product and Research & Development

We view research and development expenditures as investments that enable us to grow our business over time. These investments consist primarily of costs incurred in performing research and development activities including compensation, pre-production engineering mask costs, engineering services, development tools cost, third parties' intellectual property (IP) license fees, depreciation of equipment, prototype wafers, packaging, test costs as well as overhead costs. Development of a product is deemed complete when it is qualified through reviews and tests for performance and reliability. Post qualification product costs are included in the cost of goods sold.

Cyclical Nature of the Semiconductor Industry

The semiconductor industry is cyclical in nature and characterized by fluctuating manufacturing capacity, increasingly rapid technological change, product obsolescence, competitive pricing pressures, evolving standards, short product life cycles and fluctuations in product supply and demand. New technology may result in sudden changes in system designs or platform changes that may render some of our audio-video and automotive connectivity products obsolete and require us to devote significant research and development resources to compete effectively. Periods of rapid growth and capacity expansion are occasionally followed by significant market corrections in which sales decline, inventories accumulate, and facilities go underutilized. During periods of expansion, our margins generally improve as fixed costs are spread over higher manufacturing volumes and unit sales.

2025 was generally characterized by a recovery trend that resulted in higher demand for our products, following the down-cycle in 2024 that was caused by a slow pace of inventory digestion.

The cyclical nature of the semiconductor industry may have material adverse effect on our overall business, financial condition, and results of operations as more broadly set forth in this Annual Report under “*Part I, Item 3, D. Risk Factors.*”

Manufacturing Costs and Product Mix

Gross margins have been, and will continue to be, affected by a variety of factors, including ASPs of our products, product mix in a given period (which is composed of the product mix between our audio-video products and automotive chips and the mix of different product generations within the audio-video segment), material costs, yields, manufacturing costs and efficiency. We believe the primary driver of gross margin is the ASP negotiated between us and our customers relative to material costs and yields. To maintain the competitiveness of our products, we are required from time to time to adjust our products' ASPs. We continually monitor and work to reduce the cost of our products and improve the potential value of the solutions provided to our customers, as we target new design win opportunities and manage the product life cycles of our existing customer designs. We maintain a close relationship with our suppliers and subcontractors to improve quality, increase yields and lower manufacturing costs. Our gross margin may fluctuate on a quarterly basis, due to changes in ASPs, product mix, new product introductions, transition ramp-up of manufacturing, customer demand and other manufacturing costs. For more on the cyclical nature of the semiconductor industry, which in turn can have a material adverse effect on the manufacturing costs and overall business, financial condition, and results of operations see “*Part I, Item 3, D. Risk Factors*” of this Annual Report.

Key Financial and Operating Metrics

We regularly monitor several financial and operating metrics in order to measure our current performance and project our future performance. These metrics for the years ended December 31, 2025, 2024 and 2023 aid us in developing and refining our growth strategies and making strategic decisions.

	Year Ended December 31,		
	2025	2024	2023
	(dollars in thousands)		
Revenues	70,625	57,859	84,161
Gross profit	44,085	34,277	52,592
% Gross margin	62.4%	59.2%	62.5%
Net loss	(31,583)	(36,583)	(19,661)
Net loss margin	(44.7)%	(63.2)%	(23.4)%
Working capital	95,724	133,577	158,763
Cash, cash equivalents and short-term deposits	92,596	130,955	142,020
Net cash provided by (used in) operating activities	(12,718)	1,019	(6,359)
Non-GAAP Financial Data:			
Adjusted EBITDA loss ⁽¹⁾	(16,915)	(21,063)	(10,259)
Adjusted EBITDA Margin ⁽¹⁾	(24.0)%	(36.4)%	(12.2)%
Book to bill	0.99	0.99	0.64

(1) Non-GAAP measure. Refer to “Non-GAAP Financial Measures”. See below for an explanation and reconciliation to closest equivalent GAAP metrics.

Revenues

See “—Components of Our Results of Operations—Revenues.”

Gross Margin

See “—Components of Our Results of Operations—Gross Profit.”

Net income (loss)

Net income (loss) is calculated as presented on our consolidated statement of operations and comprehensive income (loss) for the periods presented.

Net income (loss) margin

Net income (loss) margin is net income (loss) divided by our revenues.

Working Capital

Working capital is calculated as Total Current Assets, less Total Current Liabilities, as of the last day of the period.

Cash, cash equivalents and short-term deposits

Cash, cash equivalents and short-term deposits is as of the last day of the period.

Cash and Cash Equivalents and Short-term Deposits

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less. Short-term deposits are bank deposits with maturities over three months and up to one year. As of December 31, 2025, and 2024, short-term deposits denominated in U.S. dollars and New Israeli Shekel (NIS), bore average interest rate of 4.3% and 5.0%, respectively. Short-term deposits are presented on the balance sheet at their cost, including accrued interest.

Restricted Short-term Deposit

Restricted bank deposit is a cash amount related to a bank guarantee in connection with hedging activity. Such a deposit is stated at cost including accrued interest, which approximates market value.

Non-GAAP Financial Measures

We are presenting the following non-GAAP financial measures because we use them, among other things, as key measures for our management and board of directors in managing our business and evaluating our performance. We believe they also provide supplemental information that may be useful to investors.

These non-GAAP measures are subject to significant limitations, including those identified below. In addition, other companies may use similarly titled measures but calculate them differently, which reduces their usefulness as comparative measures. Non-GAAP measures should not be considered in isolation or as a substitute for GAAP measures. They should be considered as supplementary information in addition to GAAP operating and financial performance measures.

We believe excluding items that neither relate to the ordinary course of business nor reflect our underlying business performance, such as the amortization of intangible assets, change in earnout liability and certain batch production incident expenses (income), enables management and our investors to compare our underlying business performance from period-to-period. Accordingly, we believe these adjustments facilitate a useful evaluation of our current operating performance and comparison to our past operating performance and provide investors with additional means to evaluate cost and expense trends. In addition, we also believe these adjustments enhance comparability of our financial performance against those of other technology companies.

Our non-GAAP financial measures reflect adjustments for amortization expenses for our acquisition-related intangible assets. We exclude amortization expenses for our acquisition-related intangible assets for purposes of calculating certain non-GAAP measures, although revenue is generated, in part, by these intangible assets, to eliminate the impact of these non-cash charges that are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions.

Adjusted EBITDA

We believe that Adjusted EBITDA is useful because it allows us and others to measure our performance without regard to items such as share-based compensation expense, depreciation, amortization and financial income, net and income taxes, as well as other items that can vary substantially depending on our financing and capital structure, and the method by which assets are acquired. We use Adjusted EBITDA and GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of performance and the effectiveness of our business strategies, and in communications with our board of directors. We also use Adjusted EBITDA as a metric for determining payment of cash or other incentive compensation.

Limitations on the use of Adjusted EBITDA include the following:

- Although depreciation expense is a non-cash charge, the assets being depreciated may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA excludes share-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- Adjusted EBITDA does not reflect, to the extent applicable for a period presented: (1) changes in, or cash requirements for, our working capital needs; (2) interest expense, or the cash requirements necessary to service interest or if applicable principal payments on debt, which reduces cash available to us; or (3) tax payments that may represent a reduction in cash available to us; and the expenses and other items that we exclude in our calculation of Adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from Adjusted EBITDA when they report their operating results.

We calculate Adjusted EBITDA as net loss before net financial expense, income tax expenses and depreciation and amortization, further adjusted to exclude share-based compensation, the change in fair value of earnout liability to the shareholders of Acroname and expenses (income) recorded in connection with a certain batch production incident.

The following table provides a reconciliation of net loss to Adjusted EBITDA.

	Year Ended December 31,		
	(dollars in thousands)		
	2025	2024	2023
Net loss	(31,583)	(36,583)	(19,661)
Adjusted to exclude the following:			
Financial income, net	(2,620)	(4,795)	(5,637)
Change in fair value of Forfeiture Shares	(1)	(37)	(1,713)
Change in earnout liability	(169)	377	-
Income Taxes	158	96	112
Equity in earnings of investee	(9)	(23)	(18)
Certain batch production incident expenses (income)	(2,211)	2,238	-
Depreciation and amortization	2,980	2,546	1,632
Stock-based compensation expenses	16,540	15,118	15,026
Adjusted EBITDA loss	(16,915)	(21,063)	(10,259)

Components of Our Results of Operations Revenues

The vast majority of our revenues are generated from selling products, mainly semiconductor products (chips). Revenues from product sales are recognized when our customers (which include our distributors) obtain control over our product, typically upon shipment to such customers. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

Cost of Revenues

Our cost of revenue includes the cost of materials, such as the cost of wafers, costs associated with packaging and assembly, testing costs as well as shipping cost, depreciation cost of production equipment, amortization cost of intangible assets of technology, cost of personnel (including stock-based compensation), cost of logistics and quality assurance and other expenses associated with manufacturing support. In addition, we incur royalty payment expenses for certain third-party IP embedded in our chips, which represent between 0.25% and 3.5% of revenue earned per chip, plus up to \$0.10 per chip depending on the chip.

Gross Profit and Margin

Gross profit, calculated as revenues less cost of revenues, has been, and will continue to be, together with the gross margin, affected by the following factors: balance and product mix between our Cross Industry segment products and Automotive products; the mix of products with different pricing models; and the balance of direct customers versus indirect sales through distributors.

The gross margin of our cross-industry products is higher than the gross margin of our automotive products. Hence, as our product mix shifts towards a higher percentage of automotive revenue, we expect to experience some erosion in our gross margin.

Adjusted EBITDA Margin

We calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by revenues.

Operating Expenses

Research and development expenses

Research and development expenses consist primarily of personnel costs, including salaries, bonuses, share-based compensation and employee benefits costs, allocated facilities costs, professional services, IP and development tools licenses, and depreciation.

In 2024 and 2025, our research and development expenses derived, in part, from activities to enhance existing products with additional feature sets, as well as the investment in the development of our next-generation chipset family, targeting the ProAV market, which is designed to extend multiple high-speed interfaces like video, audio and USB3 in a single chip, which will support the growing need for high bandwidth connectivity over standard cabling and will enable our customers to build innovative products to connect between cameras and other video and audio sources with display or compute products. In addition, we continued our joint development with Acroname to develop a USBExt3c, a 3-port switchable hub with dedicated point-to-point USB3 and USB2 extension, combined with advanced PoE and USB-C power delivery. This product leverages both Valens' HDBaseT and Acroname's BrainStem technologies, allowing AV installers and OEM product manufacturers to control, manage and extend USB devices, streamlining product deployment for industries such as machine vision, corporate, and education.

Sales and marketing expenses

Sales and marketing expenses consist of sales commissions, advertising costs, travel costs, overhead expenses, payroll, and other personnel related costs, including salaries, share-based compensation, and employee benefits. In the future, we expect to increase sales and marketing expenses to support the overall growth of our business.

General and administrative expenses

General and administrative expenses consist of payroll and other personnel-related costs, including salaries, share-based compensation, employee benefits and expenses for executive management insurance and other expenses. In addition, general and administrative expenses include fees for professional services and occupancy costs. The 2025 general and administrative expenses were lower than our 2024 expenses. The decrease in general and administrative expenses was primarily driven by a \$0.7 million reversal of provision and the \$1.5 million recognition of an insurance recovery asset, both recorded in connection with a certain batch production incident, compared to \$2.2 million of expenses related to the recognition of the provision in 2024. On the other hand, payroll expenses increased by approximately \$2.5 million dollars due to several factors: the impact of the USD/ILS currency, the full consolidation of Acroname and, an increase in the stock-based compensation expenses.

Change in earnout liability

The Company recorded earnout liability in connection with earnout payments of up to \$7.2 million to Acroname's former shareholders. The earnout liability was recorded at fair value on the acquisition date, by performing a Monte-Carlo simulation. At each reporting period thereafter, the Company revalues the earnout liability and records the changes in their fair value in the consolidated statements of operations and comprehensive loss. As of December 31, 2025, part of the future earnout payment was reclassified into the other current liabilities. Additional information on this purchase and earnout payments is available in Note 10 of the financial statements located elsewhere in this Annual Report on Form 20-F.

Financial income, net

Financial income, net, primarily consists of interest income from deposits and gains/losses from foreign exchange fluctuations. In 2025, due to a decrease in interest rates and in the cash, cash equivalents and short terms deposits balances, we have seen a decrease in our financial income, net.

Change in fair value of Forfeiture Shares

Reflects expenses or income related to costs attributed to the change in fair value of Forfeiture Shares. The Company classifies these Forfeiture Shares as liabilities which are presented at their fair value. This liability is subject to re-measurement at each balance sheet date until the contingency settlement, and any change in fair value is recognized in the Company's statement of operations. In 2025, these shares were forfeited, and the liability was eliminated.

Income taxes

The statutory corporate tax rate in Israel is 23% for fiscal years 2025 and 2024. For the years ended December 31, 2025, and 2024, Valens operated at a loss position and therefore had no corporate tax liability other than current tax payments due to non-deductible expenses.

As of December 31, 2025, Valens had a net operating loss carry forward of approximately \$124 million, compared to \$107 million as of December 31, 2024. As of 2024, the Company files its tax returns in U.S. dollars.

Equity in earnings of investee

In March 2010, the Company incorporated, together with LG Electronics, Samsung Electronics and Sony Pictures Technologies Inc., the HDBaseT Licensing LLC (the "LLC") in Oregon, USA. The Company holds a 25% stake in the LLC. The LLC's purposes are (i) to hold, obtain, license and/or acquire rights to certain IP associated with or connected to or related to technical specifications developed by the HDBaseT Alliance, an Oregon nonprofit mutual benefit corporation (hereafter the "Alliance"), to enter into licensing arrangements for such intellectual property as required by the IP rights policy of the Alliance.

Investment in which the Company exercises significant influence, and which is not considered a subsidiary is accounted for using the equity method, whereby the Company recognizes its proportionate share of the investee's net income or loss after the date of investment.

Segment reporting

The chief operating decision maker ("CODM") is the Company's Chief Executive Officer, who makes resource allocation decisions and assesses performance based on financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues, gross profit and operating profit (loss) by the two identified reportable segments. The Company's business includes two operating segments, based on the two markets the Company serves:

- Cross Industry Business (previously named "Audio Video" segment): The Company's long range wired connectivity solutions deliver superior, plug-and-play convergence and distribution of different interfaces, through a single long-distance category cable. The products sold to enterprise, education, industrial, digital signage and medical markets.
- Automotive: Valens Automotive products enable safe and resilient high-speed in-vehicle wired connectivity for advanced car architectures, realizing the vision of connected and autonomous cars.

For the purpose of evaluating financial performance and allocating resources, the CODM reviews financial information presented on a consolidated basis accompanied by disaggregated information on revenues, gross profit and operating loss by the two identified reportable segments, to make decisions about resources to be allocated to the segments and assess their performance.

Revenues and cost of revenues are directly associated with the activities of a specific segment. Operating expenses directly, including general and administrative expenses, associated with the activities of a specific segment are charged to that segment. General and administrative expenses that cannot be attributed directly are allocated evenly between segments. Other operating expenses are allocated to segments based on a headcount ratio.

Results of Operations

The following table provides our consolidated statements of operations for the years ended December 31, 2025, and 2024. For further discussion regarding our consolidated statements of operations for the years ended December 31, 2024, including a year-to-year comparison between 2024 and 2023, and a discussion of our liquidity and capital resources for the year ended December 31, 2024, refer to “Item 5. Operating and Financial Review and Prospectus” in our Annual Report on Form 20-F for the year ended December 31, 2024.

	Year Ended December 31,		\$	%
	2025	2024	Change	Change
	(dollars in thousands)			
Revenues				
<i>Cross Industry Business</i>	51,655	36,291	15,364	42.3
<i>Automotive</i>	18,970	21,568	(2,598)	(12.0)
<i>Consolidated</i>	70,625	57,859	12,766	22.1
Cost of revenues				
<i>Cross Industry Business</i>	(16,493)	(10,536)	(5,957)	56.5
<i>Automotive</i>	(10,047)	(13,046)	2,999	(23.0)
<i>Consolidated</i>	(26,540)	(23,582)	(2,958)	12.5
Gross profit				
<i>Cross Industry Business</i>	35,162	25,755	9,407	36.5
<i>Automotive</i>	8,923	8,522	401	4.7
<i>Consolidated</i>	44,085	34,277	9,808	28.6
Operating expenses				
Research and development expenses:				
<i>Cross Industry Business</i>	(28,634)	(23,795)	(4,839)	20.3
<i>Automotive</i>	(14,021)	(16,680)	2,659	(15.9)
<i>Consolidated</i>	(42,655)	(40,475)	(2,180)	5.4
Sales and marketing expenses				
<i>Cross Industry Business</i>	(12,025)	(8,936)	(3,089)	34.6
<i>Automotive</i>	(9,365)	(9,366)	1	0.0
<i>Consolidated</i>	(21,390)	(18,302)	(3,088)	16.9
General and administrative expenses:				
<i>Cross Industry Business</i>	(8,911)	(7,922)	(989)	12.5
<i>Automotive</i>	(5,353)	(8,543)	3,190	(37.3)
<i>Consolidated</i>	(14,264)	(16,465)	2,201	13.4
Change in earnout liability:				
<i>Cross Industry Business</i>	169	(377)	546	(144.8)
<i>Automotive</i>	-	-	-	-
<i>Consolidated</i>	169	(377)	546	(144.8)
Total operating expenses	(78,140)	(75,619)	(2,521)	3.3
Operating loss before financial income, net				
<i>Cross Industry Business</i>	(14,239)	(15,275)	1,036	(6.8)
<i>Automotive</i>	(19,816)	(26,067)	6,251	(24.0)
<i>Consolidated</i>	(34,055)	(41,342)	7,287	(17.6)
Change in fair value of Forfeiture Shares	1	37	(36)	(97.3)
Financial income, net	2,620	4,795	(2,175)	(45.4)
Loss before income taxes	(31,434)	(36,510)	5,076	(13.9)
Income taxes	(158)	(96)	(62)	64.6
Loss after income taxes	(31,592)	(36,606)	5,014	(13.7)
Equity in earnings of investee	9	23	(14)	(60.9)
Net loss	(31,583)	(36,583)	5,000	(13.7)

Revenues

Revenues increased by \$12.8 million, or 22.1%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. This increase is mainly driven by the recovery in the Cross Industry Business.

Cross Industry Business revenues increased by \$15.4 million, or 42.3%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. This increase derived from the recovery trend in the Audio Video market, that resulted in higher demand for our products, following the down-cycle in 2024 that was caused by a slow pace of inventory digestion.

Automotive revenues decreased by \$2.6 million, or 12%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. This decrease derived from both a continuation of decline in the number of product units sold by us for installation in Mercedes-Benz cars, as well as the erosion in

the average selling price (ASP).

Cost of revenues

Cost of revenues increased by \$3.0 million, or 12.5%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. The increase mainly represents the increase in the revenues, resulting from the recovery in the Cross Industry Business.

Cross Industry Business cost of revenues increased by \$6.0 million, or 56.5%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. The increase was primarily driven by the increase in units sold to our Cross Industry Business customers. At the same time, the Automotive cost of revenues decreased by \$3.0 million, or 23.0%, for the year ended December 31, 2025, compared to the year ended December 31, 2024, due to product cost optimization.

Gross profit and gross margin

Gross profit was \$ 44.1 million, or 62.4% of revenues, for the year ended December 31, 2025, compared to \$34.3 million, or 59.2% of revenues, for the year ended December 31, 2024. The increase in gross profit mainly resulted from the increase in the portion of the Cross Industry Business revenue, compared to the portion of revenues from the Automotive segment, which incurs lower gross margins. In 2025, the Automotive segment contributed 27% of the total revenues, compared to 37.3% of the total 2024 revenues, and 20.2% and 24.9% of the 2025 and 2024 gross margin, respectively.

Gross profit for Cross Industry Business was \$35.2 million, or 68.1% of Cross Industry Business revenues, for the year ended December 31, 2025, compared to \$25.8 million, or 71.0% of Cross Industry Business revenues, for the year ended December 31, 2024. The increase in Gross profit for Cross Industry Business derives from an increased product demand, while the decrease in gross margins is mainly attributed to a product mix shift.

Gross profit for Automotive was \$8.9 million, or 47.0% of automotive revenues, for the year ended December 31, 2025, up from a gross profit of \$8.5 million, or 39.5% of automotive revenues, for the year ended December 31, 2024. The increase in gross profit in the Automotive segment was due to product cost optimization.

Operating expenses

Research and development expenses

Research and development expenses increased by \$2.2 million, or 5.4%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. Cross Industry Business research and development expenses increased by \$4.8 million, or 20.3%, and Automotive research and development expenses decreased by \$2.7 million, or 15.9%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. The increase in Cross Industry Business research and development expenses is mainly driven by an increase in payroll expenses, due to the USD/ILS currency impact, as well as the acquisition of Acroname in May 2024, that fully manifested in 2025. The decrease in the Automotive research and development expenses was mainly due to the production maturity of our VA7000 chipset family that required less qualification effort, as well as the decreased need in external labs and service providers in connection with electromagnetic interference R&D activities due to the development of in-house infrastructure.

Sales and marketing expenses

Sales and marketing expenses increased by \$3.1 million, or 16.9%, for the year ended December 31, 2025, compared to the year ended December 31, 2024.

Sales and marketing expenses for Cross Industry Business increased by \$3.1 million, or 34.6%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. Sales and marketing expenses for automotive for the year ended December 31, 2025, remained unchanged compared to the year ended December 31, 2024.

The increase in sales and marketing expenses in 2025, was primarily due to an increase in payroll expenses, due to the impact of the USD/ILS currency and the full consolidation of Acroname

General and administrative expenses

General and administrative expenses decreased by \$2.2 million for the year ended December 31, 2025, compared to the year ended December 31, 2024, reflecting a decrease of 13.4%.

General and administrative expenses for Cross Industry Business increased by \$1.0 million, or 12.5% and General and administrative expenses for automotive decreased by \$3.2 million, or 37.3%, respectively for the year ended December 31, 2025, compared to the year ended December 31, 2024.

The decrease in general and administrative expenses was mainly driven by a \$0.7 million reversal of provision and the \$1.5 million recognition of an insurance recovery asset, both recorded in connection with a certain batch production incident, compared to \$2.2 million of expenses in 2024. On the other hand, payroll expenses increased by approximately \$2.5 million due to several factors: the impact of the USD/ILS currency, the full consolidation of Acroname and an increase in the stock-based compensation expenses.

Financial income, net

Finance income, net for the year ended December 31, 2025, was \$2.6 million compared to finance income of \$4.8 million for the year ended December 31, 2024, reflecting a decrease of \$2.2 million, or 45.4%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. This decrease is due to a decrease in the interest income from short-term deposits, due to both a reduction in the interest rates (an average interest rate of 4.3% in 2025 compared to average interest rate of 5.0% in 2024), as well as the decrease in the short-term deposits' balance, due to expenses made in connection with two share repurchase programs in the overall amount of approximately \$24 million. For more details on the share repurchase programs see "Part II, Item 16, E. Purchases of Equity Securities by the Issuer and Affiliated purchasers" of this Annual Report

Loss before income taxes

Loss before income taxes decreased by \$5.1 million, or 13.9%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. The decrease in loss was primarily driven by the following factors:

- the increase of \$9.8 million in gross profit;
- the increase of \$2.5 million in operating expenses; and
- the decrease of \$2.2 million in financial income.

Income taxes

Income taxes increased by \$0.06 thousand, or 64.6%, for the year ended December 31, 2025, compared to the year ended December 31, 2024.

B. LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2025, we reported an accumulated shareholders' equity in the amount of \$105.0 million, compared to \$142.7 million on December 31, 2024.

The decrease in shareholders' equity during 2025 is mainly driven by the net loss in the amount of \$31.6 million and the repurchase of shares in the amount of \$23.4 million, offset by an increase of the additional paid-in capital, due to stock-based compensation expenses of \$16.5 million.

Our primary cash needs are for working capital, contractual obligations, and other commitments. During the year 2025 the net cash outflow used for our operating activities totaled at \$12.7 million. In 2024, the net cash inflow from our operating activities totaled \$1.0 million.

Our working capital balance as of December 31, 2025, and December 31, 2024, were \$95.7 million and \$133.6 million respectively, of which our cash, cash equivalents and short-term deposits balance as of December 31, 2025, and December 31, 2024, were \$92.6 million and \$131.0 million, respectively. The cash balances are deposited mainly in major Israeli and US financially sound institutions.

Valens is focused on organic growth across industries, however, we may seek opportunities for inorganic growth, by pursuing target companies that, together with Valens, will be characterized by synergistic value creation.

We believe the cash, cash equivalents and short-term deposits as of December 31, 2025, which totaled \$92.6 million are sufficient to support the working capital needs of the Company for at least the 12-month period from the date of this Annual Report.

Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth under "Part I, Item 3, D. Risk Factors" of this Annual Report.

Cash Flows

The following table summarizes our cash flow for the periods indicated:

	Year Ended December 31, (dollars in thousands)	
	2025	2024
Cash Flow Data:		
Net cash provided by (used in) operating activities	(12,718)	1,019
Net cash provided by investing activities	28,028	17,781
Net cash used in financing activities	(23,087)	(155)
Effect of exchange rate changed on cash and cash equivalents	217	(483)
Net increase (decrease) in cash and cash equivalents	(7,560)	18,162

Operating Activities

During the year ended December 31, 2025, the net cash used in operating activities was \$12.7 million, primarily resulting from a net loss of \$31.6 million, offset by adjustments to reconcile net loss to net cash used in operating activities, in the amount of \$18.9 million (which includes mainly an increase in the trade accounts receivable due to higher revenues, an increase in the accrued compensation and non-cash expenses of depreciation and amortization and stock-based compensation).

During the year ended December 31, 2024, the net cash provided by operating activities was \$1.0 million, primarily resulting from a net loss of \$36.6 million, offset by adjustments to reconcile net loss to net cash used in operating activities, in the amount of \$37.6 million (which includes mainly a decrease in trade accounts receivable and in inventories and non-cash expenses of depreciation and amortization and stock-based compensation). The inventory balance, as of December 31, 2024, totaled to \$10.2 million, compared to \$13.8 million, as of December 31, 2023.

Investing Activities

During the year ended December 31, 2025, net cash provided by investing activities was \$28.0 million, consisting of \$30.4 million, net, generated from short term deposits, \$1.1 million used for purchases of property and equipment and \$1.3 million invested in derivative instruments of non-designated hedges.

During the year ended December 31, 2024, net cash provided by investing activities was \$17.8 million, consisting of \$28.6 million, net, generated from short term deposits, \$7.8 million used for the acquisition of Acroname, \$1.9 million used for purchases of property and equipment and \$1.1 million invested in a restricted short-term deposit.

Financing Activities

During the year ended December 31, 2025, net cash used in financing activities was \$23.1 million, due to an amount of \$24.0 million used for the purchase of Ordinary Shares, offset by proceeds received from stock options exercised by grantees in the amount of \$0.9 million.

During the year ended December 31, 2024, net cash used in financing activities was \$0.2 million, due to proceeds received from stock options exercised by grantees in the amount of \$0.8 million, offset by an amount of \$1.0 million used for the purchase of Ordinary Shares.

Contractual Obligations

The following table discloses aggregate information about material contractual obligations and the periods in which they are due, as of December 31, 2025. Future events could cause actual payments to differ from these estimates (figures in the table are dollars in thousands).

	2026	2027	2028	Thereafter
Operating Leases	\$ 1,544	\$ 1,564	\$ 1,479	\$ 454
Non-cancellable purchase obligations:				
To supply chain vendors	\$ 5,333	\$ -	\$ -	\$ -
To intellectual property vendors (including development tools)	\$ 2,984	\$ 2,031	\$ -	\$ -
Total contractual obligations	\$ 9,861	\$ 3,595	\$ 1,479	\$ 454

The commitment amounts in the table above are associated with contracts and/or outstanding purchase orders to certain vendors of the Company that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum, or variable price provisions, and the approximate timing of the actions under such contracts. The table does not include obligations under purchase orders that we can cancel without a significant penalty or royalty payments based on sales volumes.

The table above does not include future rental payments of future extension periods of \$3,201 thousand for the years ended on December 31, 2029 and thereafter.

Off-Balance Sheet Arrangements

During the periods presented, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K, such as the use of unconsolidated subsidiaries, structured finance, special purpose entities or variable interest entities.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

See “Item 4. Information on the Company – B. Business overview” and “Item 5. Operating and financial review and prospects – A. Operating results – results of operations.”

D. TREND INFORMATION

See “Item 5. Operating and financial review and prospects – A. Operating results.”

E. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of the financial condition results of operations are based upon our consolidated financial statements included elsewhere in this Annual Report. The preparation of our consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. Actual results may differ from those estimates.

Our critical accounting policies are those that materially affect our consolidated financial statements and involve difficult, subjective or complex judgments by management. A thorough understanding of these critical accounting policies is essential when reviewing our consolidated financial statements. We believe that the critical accounting policies listed below involve the most difficult management decisions because they require the use of significant estimates and assumptions as described above.

In prior year periods, there were no material differences between management’s estimates and actual results, reflecting management’s long-term experience in leading semiconductor operations and in accurately estimating the Company’s performance.

See Note 2 to our audited consolidated financial statements included elsewhere in this Annual Report for more information.

Revenue Recognition

We apply ASC 606, “Revenue from Contracts with Customers” (“ASC 606”). Under ASC 606, we recognize revenue when a customer obtains control of promised goods or services, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that we determine are within the scope of ASC 606, we perform the following five steps:

- (i) Identify the contract(s) with a customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations in the contract;
- (v) Recognize revenue when (or as) the performance obligation is satisfied.

We use the following practical expedients that are permitted under the rules:

- We recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less. These costs are included in sales and marketing expenses.
- When a contract with a customer includes a material right to acquire future goods or services that are similar to the original goods or services in the contract and are provided in accordance with the terms of the original contract, we allocate the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration.
- We apply the practical expedient of allowing us to disregard the effects of a financing component if the period between when we transfer the promised services to the customer and when the customer pays for the services will be one year or less.

We generate revenues from selling products, mainly semiconductor products (or “chips”) and USB hubs. Revenues are recognized when the customer (which includes distributors) obtains control over our product, typically upon shipment to the customer. Taxes collected from our customers relating to product sales and remitted to governmental authorities are excluded from revenues.

We generally provides its customers a limited warranty assurance that the sold products are in compliance with the applicable specifications at the time of delivery. Under the Company’s standard terms and conditions of sale, liability for certain failures of product during a stated warranty period is usually limited to repair or replacement of defective items. To the extent the Company sells extended warranty, the recognition of such revenue is deferred until such warranty is in effect.

Stock-Based Compensation

We account for stock-based compensation in accordance with ASC 718-10. Under ASC 718-10, stock-based awards, including stock options and restricted stock units (“RSU”), are recorded at fair value as of the grant date and recognized to expense over the employee’s, directors, and consultants’ requisite service period (generally the vesting period) which we have elected to amortize on a straight-line basis. ASC 718-10 also requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We use historical data as well as trends in the employment market to estimate pre-vesting option forfeitures.

We use the Black-Scholes option-pricing model to determine the fair value of stock options using the following assumptions:

	Year Ended December 31,	
	2025	2024
Volatility	59.6%-66.0 %	57.5%-58.6%
Risk-free interest	3.62%-4.36 %	3.55%-3.92%
Dividend yield	0%	0%
Expected Term (in years)	4-5	4-5
Portion of Forfeited Options (based on management estimations)	1.0%	3.5%

Fair Value of Valens Ordinary Shares.

Valens’ Ordinary Shares and warrants are publicly traded. We calculate the fair market value of granted stock options based on a Black-Scholes valuation method, at an exercise price per share equal to the average stock market price of the 30-trading day period preceding the date of the grant.

Risk-Free Interest Rate. The risk-free interest rate for the expected term of the options is based on the Black-Scholes option-pricing model on the yields of U.S. Treasury securities with maturities appropriate for the expected term of employee share option awards.

Expected Term. The expected term is calculated using the simplified method, as we have concluded that our historical share option exercise experience does not provide a reasonable basis to estimate the expected option term.

Expected Volatility. We estimate the volatility of our Ordinary Shares by using the volatility rates of our peer companies.

Expected Dividend Yield. We do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in our option-pricing models.

Restricted Share Units (“RSU”)

We recognize compensation expense for time-based RSUs using the straight-line amortization method based on the fair value of RSUs on the date of grant. The fair value of RSUs is the closing market price of Valens’ Ordinary Shares on the date of grant.

Inventories

Inventories are comprised of finished goods as well as work in process that is planned to be sold to our customers and is presented at the lower of cost or net realizable value, based on the “first-in, first-out” basis. Most inventories are stored at the last production sites and are distributed from these locations. Inventories are reduced for write-downs based on periodic reviews for evidence of slow-moving or obsolete parts. Once written down, inventories write-downs are not reversed until the inventories are sold or scrapped unless incurred in the same fiscal period.

The determination of the valuation of our inventories involve consideration by the management of the Company with respect to:

- (1) quantities of finished goods and work in process required for the fulfillment of customers’ demand.
- (2) the date of manufacturing of the inventories (“date code”) and the Company’s ability to sell such inventories prior to their expiry date, as well as their applicable net realizable value. In 2025 the inventory write-down totaled \$0.1 million (representing 0.4% of the cost of revenues), and in 2024 inventory write-down totaled to \$0.9 million (representing 3.7% of the cost of revenues).
- (3) potential schedule delays by customers may affect inventories valuation.

Derivatives and hedging

Derivatives are recognized at fair value as either assets or liabilities in the consolidated balance sheets in accordance with ASC Topic 815, “Derivatives and Hedging.” The gain or loss of derivatives which are designated and qualify as hedging instruments in a cash flow hedge, is recorded under accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Derivatives are classified within Level 2 of the fair value hierarchy as the valuation inputs are based on quoted prices and market observable data of similar instruments.

The Company entered into foreign currency cash flow hedges using forward contracts to hedge certain forecasted payroll payments denominated in NIS, to hedge against exchange rate fluctuations of the U.S. dollar. The cash flows associated with these derivatives are classified in the consolidated statements of cash flows within cash flows from investing activities.

The Company hedges its foreign currency monetary assets primarily resulting from foreign currency denominated short-term deposits with foreign exchange forward contracts to reduce the risk that the Company’s earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. These contracts have maturities of up to approximately 12 months. Generally, The Company does not designate these foreign currency forward contracts as hedges for accounting purposes and changes in the fair value of these instruments are recognized immediately in earnings. Any gains or losses on the underlying foreign-denominated balance are offset by the losses or gains on the forward contract. Derivative instruments are recorded as other current assets or other current liabilities.

Goodwill

Goodwill reflects the excess of the consideration transferred at the business combination date over the fair values of the identifiable net assets acquired. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

The Company allocated the goodwill to a reporting unit that is expected to benefit from the business combination. The primary items that generate goodwill include the value of the synergies between the acquired company and the Company and the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. ASC 350 allows an entity to first assess qualitative factors to determine whether a quantitative goodwill impairment test is necessary. Further testing is only required if the entity determines, based on the qualitative assessment, that it is more likely than not that a reporting unit’s fair value is less than its carrying amount. Otherwise, no further impairment testing is required. Examples of events or circumstances that may be indicative of impairment include but are not limited to: macroeconomic and industry conditions, overall financial performance and adverse changes in legal, regulatory, market share and other relevant entity specific events.

An entity has the option to bypass the qualitative assessment for its reporting unit in any period and proceed directly to the quantitative goodwill impairment test. This would not preclude the entity from performing the qualitative assessment in any subsequent period.

The quantitative assessment compares the fair value of the reporting unit to its carrying value, including goodwill.

The Company determines the fair value of its reporting unit using a discounted cash flow model, which utilizes key assumptions such as projected revenues, cost of revenues and operating expenses (Level 3 measurement). These assumptions are determined by the Company's management utilizing its internal operating plan, growth rates for revenues and operating expenses and margin assumptions. An additional key assumption under this approach is the discount rate, based on the weighted average cost of capital, which is adjusted for current risk-free rates of capital, current market interest rates, and the evaluation of a risk premium relevant to the reporting unit.

If the Company's assumptions relative to revenue growth rates, cost of revenues and operating expenses were to change, the Company's fair value calculation may change, which could result in impairment. If the Company's assumptions relative to the discount rate and the evaluation of risk premium growth rates were to change, the Company's fair value calculation may change, which could result in impairment. The Company uses the income approach to determine the fair value of the reporting units because it considers the anticipated future financial performance of the reporting unit. Accordingly, changes in the assumptions described above could impact the Company's consolidated results of operations and comprehensive loss.

The Company's goodwill is tested for impairment in the fourth quarter of each year and whenever events or changes in circumstances indicate the carrying value of a reporting unit may not be recoverable. When necessary, the Company records charges for impairments of goodwill for the amount by which the carrying amount of the respective reporting unit exceeds its fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

The reporting unit to which the goodwill, identified in Acroname's acquisition, was assigned, is part of the CIB segment. The goodwill is deductible for tax purposes for a period of 15 years.

As of December 31, 2025, the Company completed a quantitative goodwill impairment test. The fair value of the reporting unit exceeded its carrying amount and no impairment loss was recorded. Although the headroom between the fair value of the reporting unit and the carrying amount was not substantially in excess, the Company assumes that a change in one of the assumptions will not have a material impact on its consolidated results of operations and comprehensive loss, as the goodwill amount is not significant.

No goodwill impairment was recorded for the year ended December 31, 2025.

Other Intangible Assets

Definite life intangible assets are amortized using the straight-line method over their estimated period of useful life. Amortization of core technology is recorded under cost of revenues. Amortization of customer relationships is recorded under sales and marketing expenses.

Recent Accounting Pronouncements

See the section titled "Summary of Significant Accounting Policies" in note 2 of the notes to our consolidated financial statements as of December 31, 2025.

Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact on our financial position because of adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure resulting from potential changes in inflation, exchange rates or interest rates. We do not hold financial instruments for trading purposes.

Foreign Currency Exchange Risk

The U.S. dollar is our functional currency. All our revenues were denominated in U.S. dollars for the years ended December 31, 2025, and 2024, however certain operating expenses were denominated in the New Israeli Shekel (NIS), mainly payroll to the team that works in the Company headquarters in Israel.

Future increases or decreases of the NIS, which is the main non-U.S. dollar currency that is primarily used to pay the Israeli payroll, as well as some of the overhead expenses in Israel (e.g., office leases and municipal taxes), against the U.S. dollar may have significant impact on the Consolidated Statements of Operations and Comprehensive Loss.

Interest Rate Risk

Interest rate risk is the risk that the value or yield of fixed-income investments may decline if interest rates change. Fluctuations in interest rates may impact the level of interest expense recorded on future borrowings, as well as interest income from short-term deposits. We do not enter into derivative financial instruments, including interest rate swaps, for hedging or speculative purposes.

Credit Risk

Credit risk with respect to accounts receivable is generally not significant, as we routinely assess the credit worthiness of our partners and customers. We have not experienced any losses related to receivables from customers during the years ended December 31, 2025 and 2024. We do ask our customers to provide us with any collateral against their account receivable. Due to these factors, no additional credit risk is believed by management to be probable in our accounts receivable as of December 31, 2025.

As of December 31, 2025, we maintained, in banks, primarily in the United States and Israel, cash balances and other short term, highly liquid investments with original maturities of less than one year at the time of purchase.

In the United States, our funds are maintained with a commercial bank, which is insured by the U.S. Federal Deposit Insurance Corporation, or FDIC (currently up to a maximum of \$250,000). In Israel, commercial banks do not have government-sponsored deposit insurance. At various times, we have deposits in excess of the maximum amounts insured by the FDIC. Historically we have not experienced losses related to these balances and believe our credit risk in this area is minimal.

Emerging Growth Company Status

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it is no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following persons serve as Valens’ executive officers and directors. Biographies of the executive officers and directors are also included below.

Name	Age	Position
<i>Executive Officers</i>		
Yoram Salinger ²	66	Chief Executive Officer and Director
Guy Nathanzon	53	Chief Financial Officer
Gili Friedman	48	SVP, Head of Cross-Industry Business
Amir Boim	50	SVP, Operations and PMO
Adar Segal	60	SVP, Head of Automotive Business
David Chairman	56	SVP, R&D
<i>Directors</i>		
Peter Mertens	65	Chairman of the Board
Yahal Zilka	68	Director
Gideon Ben Zvi ³	65	Director
Moshe Lichtman	68	Director
Peter Kuo	54	Director
Adi Toledano Yarel	51	Director
Tal Yaacobi	50	Director
Igal Rotem ⁴	64	Director

² Date of appointment November 13, 2025.

³ Served as Chief Executive Officer until November 12, 2025.

⁴ Joined the Board on August 25, 2025

Executive Officers

Yoram Salinger has served as the Chief Executive Officer of Valens since November 13, 2025. Yoram brings over 25 years of leadership experience in global high-tech companies, with a track record of driving growth, innovation, and successful exits. Most recently, he served as CEO of cybersecurity company Perception Point, where he led the company through a period of exceptional revenue growth, culminating in its acquisition by Fortinet in 2024. Previously, as CEO of Red-Bend Software, he built it into a global leader in mobile and automotive software management with its technology embedded in over two billion devices, leading to its successful acquisition by Harman International. Earlier, he served as the Chairman of the board at GreenRoad and held various leadership roles at Algorithmic Research.

Guy Nathanzon joined Valens in 2024 as its Chief Financial Officer, and as such is responsible for Valens' finance, accounting, and strategic financial planning. Mr. Nathanzon has a vast experience across a variety of technology companies, including nearly 13 years in the semiconductor industry, over five years in medical device industry and three years in aerospace and defense industry. Before joining Valens, Mr. Nathanzon was the CFO at Scopio Labs Ltd a medical imaging and deep learning AI company, COO of Syqe Medical Ltd, a -med-tech company, CFO of TAT Technologies (NASDAQ:TATT), publicly traded company in the aerospace and defense industry, CFO of Altair Semiconductor Ltd, fabless semiconductor company in the communication industry and CFO of Provigent Inc, fabless semiconductor company in the wireless infrastructure industry that was acquired by Broadcom. Mr. Nathanzon is a Certified Public Accountant and holds an MBA and a B.A in Accounting and Economics and in Law Studies (L.L.B), all from Tel-Aviv University.

Gili Friedman joined Valens Semiconductor in February 2025 as Senior Vice President and Head of the newly formed Cross Industry Business Unit. In this role, Gili is responsible for driving growth across various sectors, including Audio-Video, Industrial, Machine Vision, and Medical, leveraging her extensive experience in sales and business development within the technology and semiconductor industries. With over 20 years of experience, Gili has a proven track record of building strategic partnerships and delivering impactful results for global customers. Prior to joining Valens, Gili served as Vice President of Sales and Business Development at Sony Semiconductor Israel, where she led international teams and developed market strategies that optimized business performance. Gili holds a BSc in Computer Engineering from the Hebrew University of Jerusalem.

Amir Boim joined Valens in 2016. Amir is SVP Operations and manages the Operations of Valens since 2020. In this capacity, Mr. Boim is responsible for the mass production of Valens' products, supply chain management, production testing and overall company and silicon device quality. Mr. Boim holds a B.Sc. (Summa Cum Laude) in Electrical Engineering from the Technion and an MBA from the Tel-Aviv University.

Adar Segal. Mr. Segal leads Valens' Automotive Business unit since February 2025. Mr. Segal has over 25 years of experience in technology-driven Sales, sales management and partnerships across the high-tech global industry, including advanced semiconductors and automotive solutions. Prior to joining Valens, Mr. Segal served in senior sales positions in Cadence, where he managed Israel Sales Territory, including all Cadence sales and growth in Israel, with an annual revenue exceeding \$150M and TriEye, a semiconductor startup company developing vision and sensing technology in the Short Wave Infra-Red (SWIR) spectrum, for automotive and industrial applications. Mr. Segal holds an M.A in Business Administration and B.A - Economics & Business Administration from Bar Ilan University.

David Chairman joined Valens in 2016 and manages the R&D of Valens since 2021. In this capacity Mr. Chairman is responsible for the development of Valens' products. Mr. Chairman brings over 30 years of experience in the Semiconductor and System development, serving in leading companies like Motorola Semiconductor, Cisco-System, and few start-ups. Mr. Chairman holds a B.Sc. and M.Sc. in Physics, both from Tel Aviv University.

Directors

Peter Mertens has served as the Chairperson of Valens' Board of Directors since 2020. Mr. Mertens brings more than 35 years of experience in the automotive industry, having held senior positions with major OEMs, including CTO at Volvo Cars for six years, General Motors Global Line Executive for eight years, various management positions at Mercedes-Benz, and member of the Board of Management of Audi AG, responsible for Technical Development and Design. Mr. Mertens also served as member of the Board of Directors of several companies, such as Polestar SE, Zenuety SE, Audi Sport GmbH, Audi China, Volkswagen Financial Service, Recogni Inc. and Faurecia. Mr. Mertens is the founding Chairman of AID/Argo AI Europe. Mr. Mertens serves as the chairman of the board of Aurora Labs and is a member of the board of directors of proteanTecs and V-HOLA. Mr. Mertens was a Fulbright scholar at Virginia Polytechnic Institute, USA. He holds a Master of Science in Industrial Engineering and Operations Research and a PhD in Production Engineering and Industrial Engineering from the University of Kaiserslautern where he served as a Member of the staff. Mr. Mertens is a valuable member of Valens' Board of Directors because of his extensive experience in the automotive industry and his prior track record as a senior executive and director.

Gideon Ben Zvi served as the Chief Executive Officer of Valens from 2020 until November 12, 2025, and has served as a member of the board of directors of Valens since 2011. Mr. Ben Zvi brings more than 30 years of experience as a serial entrepreneur. Prior to Valens, Mr. Ben Zvi founded and led four companies as CEO or Chairman, achieving three exit events: Ligature through M&A, Wizcom's IPO and BriefCam's acquisition by Canon. From 2007 to 2020, Mr. Ben Zvi served as a venture partner at Aviv Venture Capital. In addition, Mr. Ben Zvi served as Chairman of the board of directors of Cellium and co-founded Aristagora VC, for which he serves as the Chairman of the fund's Investment Committee. Mr. Ben Zvi also serves as a board member at Bezalel Academy of Arts and Design in Jerusalem and served as a board member and chair of committees at Jerusalem Transport Master Plan Team (JTMT). Mr. Ben Zvi holds a BSc in Computer Science and Math from Hebrew University Jerusalem (HUJI) and an MBA from HUJI.

Yahal Zilka has served as a member of the board of directors of Valens since 2007. Mr. Zilka is a co-founder of 10D and serves as a co-Managing Partner, since 2019, and also a co-founder of Magma Venture Partners ("Magma") and since 1999, served as co-Managing Partner of Magma. Prior to co-founding Magma Venture Partners, Mr. Zilka served as CFO of VocalTec Communications and led it from seed to its public offering on NASDAQ. Mr. Zilka brings many years of experience as an entrepreneur, mentor executive and board member with strong financial, operational, and hands-on management experience, as well as strategic relationships with industry leaders. Mr. Zilka currently serves as Director on the boards of Gloat, Exodigo, Obligo, ScyllaDB, MyZorro. Previously, Mr. Zilka was on the boards of Waze (acquired by Google, NASDAQ: GOOG), Onavo (acquired by Facebook, NASDAQ:FB), DesignArt Networks (acquired by Qualcomm, NASDAQ: QCOM), Phonetic Systems (acquired by Nuance, NASDAQ: NUAN), Argus (acquired by Continental), Applitools (acquired by Thoma Bravo in 2021), Sightera-Magisto (acquired by Vimeo, NASDAQ: VMEQ) and Optimal Plus (acquired by National Instruments, NASDAQ: NATI). Mr. Zilka is a valuable member of Valens' Board of Directors because of his extensive experience in venture capital, assisting companies to grow and his prior track record as a director.

Moshe Lichtman has served as a member of the Board of Valens since 2017. Mr. Lichtman brings over 40 years of product and leadership experience and 25 years of investment experience in the global high-tech industry. Mr. Lichtman is co-founder and general partner of IGP Capital and serves on the boards of its portfolio companies as well as boards of several other tech companies. Prior to that Mr. Lichtman was Corporate VP at Microsoft where he led several global consumer and enterprise businesses. As head of MSN's international business in the late 90's, Mr. Lichtman was responsible for quadrupling the business to become the #1 network in Europe, Canada, Australia and many other international markets. Under his leadership in the early 2000's, Microsoft's TV business became the leading provider of IPTV platforms to telecom operators globally. Upon returning to Israel in 2006, as President of Microsoft's R&D center in Israel, Mr. Lichtman was responsible for turning the Israel operation into one of the three largest strategic innovation hubs outside the US.

Mr. Lichtman was also among the leaders of the Windows 95 team and President of Softimage, a leader in media creation software. Prior to Microsoft, Mr. Lichtman held software development and management positions in several high-tech startups. Mr. Lichtman is the co-author of the best-selling book "The complete guide to the C language" and holds a BSc Cum Laude in Computer Engineering from the Technion – Israel Institute of Technology, and an MBA from the MIT Sloan School. Mr. Lichtman is a valuable member of Valens' Board of Directors because of his extensive experience as an entrepreneur and his prior track record as a senior executive.

Peter Kuo has served as a member of the Board of Valens since 2023. Mr. Kuo co-founded PTK Technologies, LLC with Mr. Zhang, previous board member of Valens, and serves as PTK's Chief Executive Officer and Director. He has over 20 years of experience in global multi-national technology investing and tech banking and was essential in the successful execution of Valens Semiconductor's becoming a public company in September 2021. Mr. Kuo is also a co-founding partner of Canyon Bridge, a private equity firm focused on technology transactions. Prior to co-founding Canyon Bridge, Mr. Kuo was a managing director at the financial services firms Lazard and Cowen. He began his investment career at Pacific Venture Group, an Asia-based VC firm and also practiced law at Davis Polk & Wardwell. Mr. Kuo holds a J.D. from Harvard Law School and a B.S. in Foreign Service from Georgetown and was a Fulbright Scholar.

Adi Yarel Toledano has served as a member of the Board of Valens since 2021. Ms. Yarel Toledano has served as a general partner and a CFO at TLV Partners, a leading Israeli venture capital since 2018. Ms. Yarel Toledano has two decades of experience with global financial management, private fundraising, merger & acquisitions and portfolio management. At TLV Partners Ms. Yarel Toledano is in charge of all finance, legal and operations related matters including fund planning, deals structuring, fundraising, reporting, compliance, portfolio monitoring, risk management. Before joining TLV Partners Ms. Yarel Toledano was a partner CFO at Magma Ventures Partners for 14 years. Through her years as a general partner Ms. Yarel Toledano has worked closely with dozens of portfolio companies' management and financial teams helping them grow from seed to global market leaders. Ms. Yarel Toledano is a Certified Public Accountant (CPA) in Israel and holds her B.A. in Accounting and Business Administration from the College of Management of Tel Aviv, Israel. Ms. Yarel Toledano is a valuable member of Valens' Board of Directors because of her extensive experience in venture capital and her prior track record as a senior executive.

Tal Yaacobi has served as a member of the Board of Valens since 2024. Mr. Yaacobi is a managing partner at Value Base Fund, an Israeli private equity fund that invest in Israeli and Israeli related private and public entities. Mr. Yaacobi has over 20 years of experience in a variety of investment management positions, and strategic consulting in the Israeli and global capital market. Mr. Yaacobi specializes in building investment structures and successful execution of many transactions as a buyer, a seller and a consultant. Mr. Yaacobi served as an M&A advisor, a director and a strategic advisor during his tenure as a partner at Shamrock Growth Fund. In addition, he served as a strategy & corporate finance consultant to Fortune 500 companies during his tenure at McKinsey & Co. Mr. Yaacobi is a Certified Public Accountant (CPA) in Israel and holds B.A. in Accounting and Business Administration from the College of Management of Tel Aviv, Israel, and an MBA with distinction from the Johnson School at Cornell University.

Igal Rotem has served as a member of the Board of Valens since 2025. Mr. Rotem is a seasoned high-tech executive and serial entrepreneur, former founder and CEO of a publicly traded (NASDAQ) company, with extensive business development, sales management and strategic business planning skills. Mr. Rotem served as Chairman of Shift4 EU Bank following its \$575 million acquisition by Shift4 Inc. Prior to that, he spent more than a decade as CEO and Chairman of Finaro (formerly Credorax), leading the company to become a global leader in digital acquiring and payment processing solutions and successfully driving its sale to Shift4. Earlier in his career, he co-founded PowerDsine, a pioneer in Power over Ethernet technology, where he served as CEO and led the company through an IPO on NASDAQ and its subsequent \$246 million acquisition by Microsemi. Mr. Rotem has an MBA in Technology Management, Industrial Management Marketing and Finance from Tel Aviv University, and a B.Sc. in Electrical Engineering from Tel Aviv University. He was awarded the Ernst & Young 2004 Entrepreneur of the Year.

Family Relationships

There are no family relationships between any of our executive officers and our directors.

Arrangements for Election of Directors and Members of Management

On July 23, 2024, Valens entered into a board nomination agreement (the "Board Nomination Agreement") with Value Base Fund Limited Partnership, Value Base Fund Invest 1, Limited Partnership and Value Base Ltd. (collectively in this section, "Value Base"). See Item 7 "Major Shareholders and Related Party Transactions – Part B. Related Party Transactions" for more information about this agreement.

Other than the Board Nomination Agreement, there are no arrangements or understandings with major shareholders or others pursuant to which any of our executive officers or directors are selected.

B. COMPENSATION

Compensation of Directors and Executive Officers

Directors

Under the Companies Law, the compensation of a public company's directors requires the approval of (i) its compensation committee, (ii) its board of directors and (iii) the approval of its shareholders at a general meeting, unless exempted pursuant to regulations promulgated under the Companies Law. In addition, if the compensation of a public company's directors is inconsistent with the company's compensation policy, then those inconsistent provisions must be separately considered by the compensation committee and board of directors, and approved by the shareholders by a special vote in one of the following two ways:

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

Executive Officers other than the Chief Executive Officer

The Companies Law requires the approval of the compensation of a public company's executive officers (other than the Chief Executive Officer) in the following order: (i) the compensation committee, (ii) the company's board of directors, and (iii) only if such compensation arrangement is inconsistent with the company's stated compensation policy, the company's shareholders (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company decline to approve a compensation arrangement with an executive officer that is inconsistent with the company's stated compensation policy, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision.

An amendment to an existing arrangement with an office holder requires only the approval of the compensation committee, if the compensation committee determines that the amendment is not material in comparison to the existing arrangement. However, according to regulations promulgated under the Companies Law, an amendment to an existing arrangement with an office holder (who is not a director) who is subordinate to the Chief Executive Officer shall not require the approval of the compensation committee, if (i) the amendment is approved by the Chief Executive Officer, (ii) the company's compensation policy provides that a non-material amendment to the terms of service of an office holder (other than the Chief Executive Officer) may be approved by the Chief Executive Officer and (iii) the engagement terms are consistent with the company's compensation policy.

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 vote as discussed above with respect to the approval of director's compensation that is inconsistent with the compensation policy). 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 provided that they each document the basis for their decision and the compensation is in accordance with the company's compensation policy.

In the case of a new chief executive officer, the compensation committee may waive the shareholder approval requirement with regard to the compensation of a candidate for the chief executive officer position if the compensation committee determines that: (i) the compensation arrangement is consistent with the company's compensation policy, (ii) the chief executive officer candidate did not have a prior business relationship with the company or a controlling shareholder of the company and (iii) subjecting the approval of the engagement to a shareholder vote would impede the company's ability to employ the chief executive officer candidate. However, if the chief executive officer candidate will serve as a member of the board of directors, such candidate's compensation terms as chief executive officer must be approved in accordance with the rules applicable to approval of compensation of directors.

Aggregate Compensation of Executive Officers and Directors

The aggregate compensation expenses, including share-based compensation and other compensation expensed by us, to our directors and executive officers with respect to the year ended December 31, 2025, was \$6.0 million. This amount includes approximately \$0.3 million aside or accrued to provide pension, severance, retirement, or similar benefits, but does not include business travel, relocation, professional and business association dues, and expenses reimbursed to office holders, and other benefits commonly reimbursed or paid by companies in Israel.

As of December 31, 2025, options to purchase 11,166,524 Ordinary Shares granted to our executive officers and directors as a group were outstanding under our equity incentive plans at a weighted average exercise price of \$2.16 per Ordinary Share as well as 1,047,955 Restricted Stock Units (RSUs).

For so long as we qualify as a foreign private issuer, we are not required to comply with the proxy rules applicable to U.S. domestic companies, including the requirement applicable to certain domestic issuers that do not qualify as emerging growth companies to disclosure on an individual, rather than an aggregate basis, the compensation of our named executive officers as defined in Item 402 of Regulation S-K. Nevertheless, the Companies Law requires that we disclose the annual compensation of our five most highly compensated Covered Officers (as defined under the Companies Law, the “Covered Officers”) for the relevant fiscal year, on an individual basis, as such compensation is represented in that year’s annual financial. Under the Companies Law regulations, this disclosure is required to be included in the annual proxy statement for our annual meeting of shareholders each year, which we will furnish to the SEC under cover of a Report of Foreign Private Issuer on Form 6-K. Because of that disclosure requirement under Israeli law, we are also including such information in this annual report, pursuant to the disclosure requirements of Form 20-F.

The table below sets forth the compensation paid to our five most highly compensated Covered Officers for and with respect to the year ended December 31, 2025. All amounts reported reflect the cost to the Company as recognized in our financial statements for the year ended December 31, 2025. U.S. dollar amounts indicated for compensation of our Covered Officers are in thousands of dollars.

For purposes of the table and the summary below, “compensation” includes base salary, bonuses, equity-based compensation, retirement or termination payments, benefits and perquisites such as car, phone and social benefits and any undertaking to provide such compensation.

Summary Compensation Table

Information Regarding the Covered Executives (1) (thousands of dollars)

Name and Principal	Position (2)	Base salary	Benefits and perquisites (3)	Bonus payments	Equity-based compensation (4)	Total
Gideon Ben Zvi (5)	Former CEO	368	74	257	836	1,535
Yoram Salinger (6)	CEO	58	12	-	29	99
Guy Nathanzon	CFO	257	49	135	211	652
David Chairman	SVP, R&D	238	57	83	436	814
Amir Boim	SVP, Operations and PMO	231	57	79	369	736
Nelly Elkavetz	VP HR	222	55	78	312	667

- (1) In accordance with Israeli law, all amounts reported in the table are in terms of cost to our company, as recorded in our financial statements.
- (2) All current executive officers listed in the table are full-time employees. Cash compensation amounts denominated in currencies other than the U.S. dollar were converted into U.S. dollars at an average conversion rate of U.S Dollar to New Israeli shekel, for the year ended December 31, 2025, of 1:3.428;
- (3) Amounts reported in this column include benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to each executive, payments, contributions and/or allocations for savings funds, pension, severance, vacation, car or car allowance, medical insurances and benefits, risk insurances (such as life, disability and accident insurances), convalescence pay, payments for social security, tax gross-up payments and other benefits and perquisites consistent with our guidelines.
- (4) Amounts reported in this column represent the expense recorded in our financial statements for the year ended December 31, 2025, with respect to equity-based compensation. Assumptions and key variables used in the calculation of such amounts are described in Note 14 to our audited consolidated financial statements, which are included in this Annual Report. The relevant amounts underlying the equity awards granted to our officers during 2025, will continue to be expensed in our financial statements over a four-year period during the years 2025-2029 on account of the 2025 grants in similar annualized amounts. All equity-based compensation grants to our Covered Executives were approved by the company’s compensation committee and board of directors.
- (5) Mr. Ben Zvi’s last day in the position of the Company’s Chief Executive Officer was November 12, 2025. Mr. Ben Zvi is entitled to a notice period and an adjustment period, totaling together to six (6) months that will end on May 12, 2026, during which he remains entitled to all compensation components.
- (6) Mr. Yoram Salinger entered into the position of Chief Executive Officer of the Company on November 13, 2025. The compensation package of Mr. Salinger in his position as the CEO of the Company was approved at the 2025 annual shareholders meeting on December 16, 2025, and consists of a monthly base salary of NIS 120,000, an aggregate annual cash bonus (the “Target Bonus”) equal to up to six (6) times the average monthly salary during the fiscal year for which such Target Bonus is paid (if paid), a total of 4,000,000 options to purchase Ordinary Shares of the Company (the “Options”), at an exercise price per share as follows: a. 2,000,000 Options at an exercise price of \$2.0 per share (the “First Tranche”); b. 1,000,000 Options at an exercise price of \$3.25 per share (the “Second Tranche”); and c. 1,000,000 Options at an exercise price of \$4.25 per share (the “Third Tranche”), all vesting gradually over the period of 4 years.

Non-Employee Directors' Compensation

We pay each of our non-employee directors (other than the Chairperson of the board) an annual cash payment of \$ 40,000. The Chairperson of the board is entitled to an annual cash payment of (i) \$80,000; or (ii) if, prior to the listing day, such Chairperson received an annual cash payment from the Company that is higher than the amount set forth in sub-clause(i), such higher amount, in which case, he will not be entitled to an additional payment for his membership in any board committee or for serving in the chair position thereof. Accordingly, we pay our Chairperson, Mr. Mertens, an amount of \$96,000. In addition, we pay each of our non-employee directors who serves on a board committee, the following annual payment in addition to the annual cash payment mentioned above: per membership of the audit committee, \$10,000 (or \$15,000 for the chairperson); per membership of the compensation committee \$8,000 (or \$12,000 for the chairperson); per membership of the nominating, governance and sustainability committee, \$7,000 (or \$10,000 for the Chairperson), and per membership of a general committee, \$5,000 (or \$7,000 for the chairperson). In addition, upon election (provided the director is still in office), non-employee directors, shall be granted with equity awards under our incentive plan at a value of \$175,000 (composed of restricted share unites at a fair market value of \$116,725 and options to purchase Ordinary Shares with a fair market value of up to \$58,275) which shall vest on a quarterly basis over a period of three years (the "Welcome Equity Grant"), and as of the fiscal year thereafter (provided the director is still in office), with annual equity awards at a value of \$150,000 (composed of restricted share unites at a fair market value of \$100,000 and options to purchase Ordinary Shares with a fair market value of up to \$50,000) which shall vest on a quarterly basis over a period of one year (the "Annual Equity Grant"). The awards shall be accelerated in certain change of control events. The fair market value of restricted share units is calculated in accordance with the definition included in our 2021 share incentive plan and the exercise price of the options which is equal to the average stock market price of the 30-trading day period preceding the date of the grant.

Employment Agreements with Executive Officers

We have entered into written employment agreements with each of our executive officers. These agreements provide for notice periods of varying duration for termination of the agreement by us or by the relevant executive officer, during which time the executive officer will continue to receive base salary and benefits. These agreements also contain customary provisions regarding non-competition, confidentiality of information and assignment of inventions.

However, the enforceability of the non-competition provisions may be limited under applicable law.

In 2025, with the announcement of the CEO step down, the board of directors of the Company adopted a key leadership retention plan which included retention cash bonuses, extended notice periods of varying durations for termination of employment by the Company during the first year of tenure of a new CEO, as well as a one-time equity award, designed to support long-term retention and alignment with the Company's performance, comprised of options to purchase Ordinary Shares of the Company. 100% of these options will vest in June 2027.

Equity Incentive Plans

2007 Share Option Plan

Valens' 2007 Share Option Plan (the "**2007 Plan**") was adopted by its board of directors on October 25, 2007. The 2007 Plan provides for the grant of options to our employees, directors, office holders, service providers and consultants of Valens.

Authorized Shares. As of December 31, 2025, there were options to purchase 361,384 Ordinary Shares outstanding under the 2007 Plan. Ordinary Shares subject to options granted under the 2007 Plan that expire or become unexercisable without having been exercised in full will become available again for future grant under the 2021 Share Incentive Plan (the "**2021 Plan**").

Administration. Valens' board of directors, or a duly authorized committee of Valens' board of directors, administers the 2007 Plan. Under the 2007 Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2007 Plan and any notices of grant or options granted thereunder, designate recipients of option grants, determine and amend the terms of options, including the exercise price of an option, the fair market value of an Ordinary Share, the time and vesting schedule applicable to an option grant or the method of payment for an option, accelerate or amend the vesting schedule applicable to an option grant, prescribe the forms of agreement for use under the 2007 Plan and take all other actions and make all other determinations necessary for the administration of the 2007 Plan. If the administrator is a duly authorized committee of our board of directors, Valens' board of directors will determine the grant of options to be made, if any, to members of such committee.

The administrator also has the authority to amend and rescind rules and regulations relating to the 2007 Plan or terminate the 2007 Plan at any time before the date of expiration of its ten-year term.

Eligibility. The 2007 Plan provides for granting options under various tax regimes, including, without limitation, in compliance with Section 102 ("Section 102") of the Israeli Income Tax Ordinance (New Version), 5721-1961 (the "Ordinance") and unapproved Section 102 options.

Section 102 of the Ordinance allows employees, directors and officers who are not “controlling shareholders” (as used under the Ordinance) and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options under certain terms and conditions. Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. Section 102(b)(2) of the Ordinance, the most favorable tax treatment for the grantee, permits the issuance to a trustee under the “capital gain track”.

Grant. All options granted pursuant to the 2007 Plan are evidenced by an option agreement, in a form approved, from time to time, by the administrator, in its sole discretion. The option agreement sets forth the terms and conditions of the option, including the type of option, number of shares subject to such option, vesting schedule and conditions (including performance goals or measures) and the exercise price, if applicable. Each option will expire ten years from the date of the grant thereof, unless such shorter term of expiration is otherwise designated by the administrator.

Awards. The 2007 Plan provides for options to purchase shares which may be made available from the authorized but unissued shares of Valens or from shares held in Valens’ treasury and not reserved for some other purpose.

Exercise. An option under the 2007 Plan may be exercised by providing Valens with a written notice of exercise and full payment of the exercise price for such shares underlying the option, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. Such notice is irrevocable and may not be resigned or revised once it has been delivered to Valens its representative. An option may not be exercised for a fraction of a share. With regard to tax withholding, exercise price and purchase price obligations arising in connection with options under the 2007 Plan, the administrator may, in its discretion, among others, accept cash or otherwise provide for net withholding of shares in a cashless exercise mechanism.

Transferability. Neither the options nor any right in connection with such options are assignable or transferable.

Termination of Employment. In the event of termination of a grantee’s employment or service with Valens, all vested and exercisable options held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three-month period, all such unexercised options will terminate and the shares covered by such options shall again be available for issuance under the 2007 Plan.

In the event of termination of a grantee’s employment or service with Valens due to such grantee’s death, retirement or “disability” (as defined in the 2007 Plan), all vested and exercisable options held by such grantee as of the date of termination may be exercised by the grantee or the grantee’s legal representative or authorized assignee, as applicable, within (i) 12 months after such date death or the Termination Date due to disability (as the case may be) or (ii) the expiration date. Any options which are unvested as of the date of such termination or which are vested but not then exercised within the 12 months period following such date, will terminate and the shares covered by such options shall again be available for issuance under the 2007 Plan.

Notwithstanding any of the foregoing, if a grantee’s employment or services with Valens is terminated for “cause” (as defined in the 2007 Plan), all outstanding options held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such options shall again be available for issuance under the 2007 Plan.

Liquidation. In the event of the proposed dissolution or liquidation of the Company, all options will expire immediately prior to the consummation of such proposed action, unless otherwise provided by the administrator.

Structural Change. In the event of a merger, acquisition, shares sale or assets sale, then without the consent of the grantee, the administrator may, but is not required to, (i) cause any outstanding option to be assumed or substituted by such successor corporation, or (ii) provide for an exchange of outstanding options or shares for a monetary compensation; and/or (iii) determine that all unvested options and un-exercised vested Options shall expire on the date of such Structural Change. Notwithstanding the foregoing, the administrator may upon such event amend, modify or terminate the terms of any option as it shall deem, in good faith, appropriate.

2012 Share Option Plan

Valens’ 2012 Share Option Plan (the “2012 Option Plan”) was adopted by its board of directors on February 15, 2012. The 2012 Option Plan provides for the grant of options to our employees, directors, office holders, service providers and consultants of Valens.

Authorized Shares. As of December 31, 2025, there were options outstanding to purchase 7,930,209 Ordinary Shares under the 2012 Option Plan.

Ordinary Shares subject to options granted under the 2012 Option Plan that expire or become un-exercisable without having been exercised in full will become available again for future grant under the 2021 Plan.

During 2024, the Company extended the expiration date of 1,210,661 fully vested outstanding stock options that were supposed to expire during 2025, to fully expire by December 31, 2028. In that regard, the Company recorded expenses in the amount of \$136 thousand, in the year ended on December 31, 2024. These expenses represent the total incremental fair value on the modification date.

Administration. Valens' board of directors, or a duly authorized committee of Valens' board of directors, administers the 2012 Option Plan. Under the 2012 Option Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2012 Option Plan and any notices of grant or options granted thereunder, designate recipients of option grants, determine and amend the terms of options, including the exercise price of an option, the fair market value of an Ordinary Share, the time and vesting schedule applicable to an option grant or the method of payment for an option, accelerate or amend the vesting schedule applicable to an option grant, prescribe the forms of agreement for use under the 2012 option Plan and take all other actions and make all other determinations necessary for the administration of the 2012 Option Plan. If the administrator is a duly authorized committee of our board of directors, Valens' board of directors will determine the grant of options to be made, if any, to members of such committee.

The administrator also has the authority to amend and rescind rules and regulations relating to the 2012 Option Plan or terminate the 2012 Option Plan at any time before the date of expiration of its ten-year term.

Eligibility. The 2012 Option Plan provides for granting options under various tax regimes, including, without limitation, in compliance with Section 102 of the Ordinance, unapproved Section 102 options, and Section 3(i) of the Ordinance.

Section 102 of the Ordinance allows employees, directors and officers who are not "controlling shareholders" (as used under the Ordinance) and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options under certain terms and conditions. Our non-employee service providers and controlling shareholders who are considered Israeli residents may only be granted options under section 3(i) of the Ordinance, which does not provide for similar tax benefits. Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. Section 102(b)(2) of the Ordinance, the most favorable tax treatment for the grantee, permits the issuance to a trustee under the "capital gain track".

Grant. All options granted pursuant to the 2012 Option Plan are evidenced by an option agreement, in a form approved, from time to time, by the administrator, in its sole discretion. The option agreement sets forth the terms and conditions of the option, number of shares subject to such option, vesting schedule and conditions (including performance goals or measures) and the exercise price, if applicable. Each option will expire ten years from the date of the grant thereof, or upon the earlier termination of the grantee's employment, unless such shorter term of expiration is otherwise designated by the administrator.

Awards. The 2012 Option Plan provides for options to purchase shares which may be made available from the authorized but unissued shares of Valens or from shares held in Valens' treasury and not reserved for some other purpose.

Vesting of Options. Unless otherwise determined by the Administration with respect to any, some or all options, each option shall vest over a 4-year period from the date of grant, with one quarter of such options becoming vested on the first anniversary of such grant, and the remaining portion in equal parts every quarter from the first anniversary and until the fourth anniversary of such grant or as otherwise indicated in the grantee's option agreement. An option may be subject to such other terms and conditions on the time or times when it may be exercised (including by way of performance conditions), as the Administration may deem appropriate. The vesting provisions of individual options may vary.

Unless otherwise determined by the Administration, the vesting of an option shall be postponed during any un-paid leave of absence (excluding paid vacation, sick leave, paid maternity leave, infant care leave, medical emergency leave, military reserve duty). Upon return to service, the vesting shall continue and the vesting dates shall be postponed in accordance with the period of un-paid leave. Additionally, the vesting of an option shall continue upon any transfer of a grantee between the Company and any affiliate (or between affiliates), as well as upon any change of grantee's engagement status with the Company or an affiliate from employee to consultant or vice versa.

Exercise. An option under the 2012 Option Plan may be exercised by providing Valens with a written notice of exercise and full payment of the exercise price for such shares underlying the option, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. Such notice is irrevocable and may not be resigned or revised once it has been delivered to Valens its representative. An option may not be exercised for a fraction of a share. With regard to tax withholding, exercise price and purchase price obligations arising in connection with options under the 2012 Option Plan, the administrator may, in its discretion, among others, accept cash or otherwise provide for net withholding of shares in a cashless exercise mechanism.

Transferability. Neither the options nor any right in connection with such options are assignable or transferable.

Termination of Employment. In the event of termination of a grantee's employment or service with Valens or any of its affiliates, all vested and exercisable options held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three-month period, all such unexercised options will terminate and the shares covered by such options shall again be available for issuance under the 2012 Option Plan.

In the event of termination of a grantee's employment or service with Valens or any of its affiliates due to such grantee's death, retirement or "disability" (as defined in the 2012 Option Plan), all vested and exercisable options held by such grantee as of the date of termination may be exercised by the grantee or the grantee's legal representative or authorized assignee, as applicable, within 12 months after such date of termination, unless otherwise provided by the administrator. Any options which are unvested as of the date of such termination or which are vested but not then exercised within the 12 months period following such date, will terminate and the shares covered by such options shall again be available for issuance under the 2012 Option Plan.

Notwithstanding any of the foregoing, if a grantee's employment or services with Valens or any of its affiliates is terminated for "cause" (as defined in the 2012 Option Plan), all outstanding options held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such options shall again be available for issuance under the 2012 Option Plan.

Liquidation. In the event of the proposed dissolution or liquidation of the Company, all Options will expire immediately prior to the consummation of such proposed action.

M&A Transaction. In the event of a merger, acquisition, shares sale or assets sale (each, an "M&A Transaction"), then without the consent of the grantee, the administrator may, at its sole discretion, (i) cause any outstanding option to be assumed or substituted by such successor corporation, (ii) provide for an exchange of options or shares for a monetary compensation; (iii) determine that all unvested Options and un-exercised vested Options shall expire on the date of such M&A Transaction; and/or (iv) determine that the exchange, assumption, conversion or purchase detailed above will be made subject to any payment or escrow arrangement, or any other arrangement determined within the scope of the M&A Transaction in relation to the Ordinary Shares of the Company. Notwithstanding the foregoing, the administrator may upon such event amend, modify or terminate the terms of any option as it shall deem, in good faith, appropriate.

2021 Share Incentive Plan

The 2021 Share Incentive Plan (the "2021 Plan"), was adopted by our board of directors on August 15, 2021. The 2021 Plan provides for the grant of equity-based incentive awards to our employees, directors, officers, consultants, advisors and other persons or entities who provide services to us in order to incentivize them to increase their efforts on behalf of the Company and to promote the success of the Company's business.

Shares Available for Grants. As of December 31, 2025, there were 16,168,580 Ordinary Shares underlying outstanding awards (including options and RSUs) under the 2021 Plan, and 491,939 Ordinary Shares available for future grant under the 2021 Plan. The maximum number Ordinary Shares available for issuance under the 2021 Plan is equal to the sum of (i) 9,193,241 shares, (ii) any shares subject to awards under the 2007 and the 2012 Option Plans that expire, or are cancelled, terminated, forfeited or settled in cash in lieu of issuance of shares or became un-exercisable without having been exercised (in an amount not to exceed 10,899,927 shares under the 2007 and the 2012 Option Plans), and (iii) an annual increase on the first day of each year beginning in 2022 and on January 1st of each calendar year thereafter during the term of the 2021 Plan, equal to the lesser of (a) 5% of the outstanding Ordinary Shares of the Company on the last day of the immediately preceding calendar year, and (b) provided that on each January 1st, an amount of at least five percent (5%) of the total number of Company Ordinary Shares, on a fully diluted basis, will be available for grant under the 2021 Plan, such smaller amount of Shares as is determined by the Board, if so determined prior to the January 1st of the calendar year in which the increase will occur (in each case, without the need to amend the Plan in case of such determination). If permitted by our board of directors, shares tendered to pay the exercise price or withholding tax obligations with respect to an award granted under the 2021 Plan, the 2012 Option Plan or the 2007 Plan, may again be available for issuance under the 2021 Plan. Our board of directors may also reduce the number of Ordinary Shares reserved and available for issuance under the 2021 Plan in its discretion.

Administration. Our board of directors or a duly authorized committee of our board of directors will administer the 2021 Plan. Under the 2021 Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2021 Plan and any award agreements or awards granted thereunder, designate recipients of awards, determine and amend the terms of awards, including the exercise price of an option award, the fair market value of an Ordinary Share, the time and vesting schedule applicable to an award or the method of payment for an award, accelerate or amend the vesting schedule applicable to an award, prescribe the forms of agreement for use under the 2021 Plan, determine the tax track for the purpose of awards subject to Section 102 of the Ordinance and take all other actions and make all other determinations necessary for the administration of the 2021 Plan.

The administrator also has the authority to approve the conversion, substitution, cancellation or suspension under and in accordance with the 2021 Plan of any or all option awards or Ordinary Shares, and the authority to modify option awards to eligible individuals who are foreign nationals or are individuals who are employed outside Israel to recognize differences in local law, tax policy or custom, in order to effectuate the purposes of the 2021 Plan but without amending the 2021 Plan.

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

Eligibility. The 2021 Plan provides for grants of awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Ordinance, and Section 3(i) of the Ordinance and, for awards granted to our United States employees or service providers (including those who are deemed to be residents of the United States for tax purposes), Section 422 of the Code and Section 409A of the Code. For a description of the implications of Section 102, see above under the description of the 2019 Option Plan.

Grants. All awards granted pursuant to the 2021 Plan will be evidenced by an award agreement, in a form approved by the administrator in its sole discretion. The award agreement will set forth the terms and conditions of the award, including the type of award, number of shares subject to such award, vesting schedule and conditions (including performance goals or measures) and the exercise price, if applicable. Certain awards under the 2021 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards.

Each Award Agreement shall provide the vesting schedule for the award as determined by the administrator. The administrator 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.

Awards. The 2021 Plan provides for the grant of stock options (including incentive stock options and nonqualified stock options), Ordinary Shares, restricted shares, RSUs, stock appreciation rights and other share-based awards.

Options granted under the 2021 Plan to Company employees who are U.S. residents may qualify as “incentive stock options” within the meaning of Section 422 of the Code or may be non-qualified stock options. The exercise price of an option may not be less than the par value of the shares (if the shares bear a par value) for which such option is exercisable. The exercise price of an Incentive Stock Option may not be less than 100% of the fair market value of the underlying share on the date of grant or such other amount as may be required pursuant to the Code, and in the case of Incentive Stock Options granted to ten percent stockholders, not less than 110%.

Exercise. An award under the 2021 Plan may be exercised by providing the Company with a written or electronic notice of exercise and full payment of the exercise price for such shares underlying the award, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. An award may not be exercised for a fraction of a share. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2021 Plan, the administrator may, in its discretion, accept cash, provide for net withholding of shares in a cashless exercise mechanism or direct a securities broker to sell shares and deliver all or a part of the proceeds to the Company or the trustee.

Transferability. Other than by will, the laws of descent and distribution or as otherwise provided under the 2021 Plan, neither the options nor any right in connection with such options are assignable or transferable.

Termination of Employment. In the event of termination of a grantee’s employment or service with the Company or any of its affiliates (other than by reason of death or permanent disability), all vested and exercisable awards held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three-month period, all such unexercised awards will terminate, and the shares covered by such awards shall again be available for issuance under the 2021 Plan. In the event of termination of a grantee’s employment or service with the Company or any of its affiliates due to such grantee’s death or permanent disability, or in the event of the grantee’s death within the three-month period (or such longer period as determined by the administrator) following his or her termination of service, all vested and exercisable awards held by such grantee as of the date of termination may be exercised by the grantee or the grantee’s legal guardian, estate, or by a person who acquired the right to exercise the award by bequest or inheritance, as applicable, within one year after such date of termination, unless otherwise provided by the administrator.

Any awards which are unvested as of the date of such termination or which are vested but not then exercised within the one-year period following such date, will terminate and the shares covered by such awards shall again be available for issuance under the 2021 Plan.

Notwithstanding any of the foregoing, if a grantee’s employment or services with the Company or any of its affiliates is terminated for “cause” (as defined in the 2021 Plan), all outstanding awards held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such awards shall again be available for issuance under the 2021 Plan.

Voting Rights. Except with respect to restricted share awards, grantees will not have the rights as a shareholder of the Company with respect to any shares covered by an award until the award has vested and/or the grantee has exercised such award, paid any exercise price for such award and becomes the record holder of the shares. With respect to restricted share awards, grantees will possess all incidents of ownership of the restricted shares, including the right to vote and receive dividends on such shares.

Dividends. Grantees holding restricted share awards will be entitled to receive dividends and other distributions with respect to the shares underlying the restricted share award. Any stock split, stock dividend, combination of shares or similar transaction will be subject to the restrictions of the original restricted share award. Grantees holding RSUs will not be eligible to receive dividend but may be eligible to receive dividend equivalents.

Transactions. In the event of a share split, reverse share split, share dividend, recapitalization, combination or reclassification of the Company’s shares, the administrator in its sole discretion may, and where required by applicable law shall, without the need for a consent of any holder, make an appropriate adjustment in order to adjust (i) the number and class of shares reserved and available for the outstanding awards, (ii) the number and class of shares covered by outstanding awards, (iii) the exercise price per share covered by any award, (iv) the terms and conditions concerning vesting and exercisability and the term and duration of the outstanding awards, and (v) the type or class of security, asset or right underlying the award (which need not be only that of the Company, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions), and (vi) any other terms of the award that in the opinion of the administrator should be adjusted; provided that any fractional shares resulting from such adjustment shall be rounded to the nearest whole share unless otherwise determined by the administrator. In the event of the distribution of a cash dividend to all shareholders, the administrator may determine, without the consent of any holder of an award, that the exercise price of an outstanding and unexercised award shall be reduced by an amount equal to the per share gross dividend amount distributed by the Company, subject to applicable law.

In the event of a merger or consolidation of the Company, or a sale of all, or substantially all, of the Company's shares or assets or other transaction having a similar effect on the Company, or change in the composition of the board of directors, or liquidation or dissolution, or such other transaction or circumstances that the board of directors determines to be a relevant transaction, then without the consent of the grantee, (i) unless otherwise determined by the administrator, any outstanding award will be assumed or substituted by such successor corporation, or (ii) regardless of whether or not the successor corporation assumes or substitutes the award the administrator may (a) provide the grantee with the option to exercise the award as to all or part of the shares, and may provide for an acceleration of vesting of unvested awards, (b) cancel the award and pay in cash, shares of the Company, the acquirer or other corporation which is a party to such transaction or other property as determined by the administrator as fair in the circumstances, or (c) provide that the terms of any award shall be otherwise amended, modified or terminated, as determined by the administrator to be fair in the circumstances.

2021 Employee Share Purchase Plan

The Employee Share Purchase Plan ("ESPP") was adopted by our board of directors on August 15, 2021. The ESPP is comprised of two distinct components: (1) the component intended to qualify for favorable U.S. federal tax treatment under Section 423 of the Code (the "Section 423 Component") and (2) the component not intended to be tax qualified under Section 423 of the Code to facilitate participation for employees who are not eligible to benefit from favorable U.S. federal tax treatment and, to the extent applicable, to provide flexibility to comply with non U.S. law and other considerations (the "Non-Section 423 Component").

Authorized Shares. The maximum number of shares of our common stock available for issuance under the ESPP will initially not exceed 1,400,000 shares. As of December 31, 2025, there were 1,400,000 Ordinary Shares available for purchase under the ESPP. On the first day of each fiscal year beginning with our 2022 fiscal year and ending on and including the fiscal year of 2030, such pool of Ordinary Shares shall be increased by that number of our Ordinary Shares equal to the lesser of:

- One percent (1%) of the outstanding Ordinary Shares as of the last day of the immediately preceding fiscal year, determined on a fully diluted basis; or
- such smaller amount as our board of directors may determine.

In no event will more than 14,000,000 Ordinary Shares (subject to adjustment as provided for in the ESPP) be available for issuance under the Section 423 Component.

ESPP Administration. Unless otherwise determined by our board of directors, the compensation committee of our board of directors (or such other committee or sub-committee to which our board of directors delegates administration of the ESPP) will administer the ESPP and will have the authority to interpret the terms of the ESPP, determine eligibility under the ESPP, determine when rights to purchase shares shall be granted and the provisions of each offering of such rights, to impose a mandatory holding period under which employees may not dispose or transfer shares under the ESPP, prescribe, revoke and amend forms, rules and procedures relating to the ESPP, and otherwise exercise such powers and to perform such acts as the administrator deems necessary or expedient to promote the best interests of the Company and its subsidiaries and to carry out the intent that the ESPP be treated as an "employee stock purchase plan" within the meaning of Section 423 of the Code for the Section 423 Component.

Eligibility. Participation in the Section 423 Component may be limited in the terms of any offering to exclude an employee of the Company and any of its designated subsidiaries (a) who is a highly-compensated employee (within the meaning of Section 423(b)(4)(D) of the Code), (b) who has not a service requirement set by the administrator of the ESPP pursuant to Section 423(b)(4)(A) of the Code (such requirement not to exceed two years), (c) who customarily works less than 20 hours per week, (d) whose customary employment is for less than five months per fiscal year, and/or (e) who is a citizen or resident of a non-U.S. jurisdiction and the grant of a right to purchase shares under the ESPP to such employee would be prohibited under the laws of such non-U.S. jurisdiction or the grant of a right to purchase shares under the ESPP to such employee in compliance with the laws of such non-U.S. jurisdiction would cause the ESPP to violate the requirements of Section 423 of the Code. Any of the foregoing exclusions must be applied in an identical manner to all employees under each offering period, in accordance with Treasury Regulation Section 1.423-2(e). Under the Section 423 Component, designated subsidiaries include any subsidiary (within the meaning of Section 424(f) of the Code) of the Company that has been designated by our board of directors or the compensation committee as eligible to participate in the ESPP (and if an entity does not so qualify within the meaning of Section 424(f) of the Code, it shall automatically be deemed to be a designated subsidiary in the Non-Section 423 Component). In addition, with respect to the Non-Section 423 Component, designated subsidiaries may include any corporate or noncorporate entity in which the Company has a direct or indirect equity interest or significant business relationship. Under the Section 423 Component, no employee may be granted a purchase right if, immediately after the purchase right is granted, the employee would own (or, under applicable statutory attribution rules, would be deemed to own) shares possessing 5% or more of the total combined voting power or value of all classes of shares of the Company or any of its subsidiaries. In addition, in order to facilitate participation in the ESPP, the compensation committee may provide for such special terms applicable to participants who are citizens or residents of a non-U.S. jurisdiction, or who are employed by a designated subsidiary outside of the U.S., as the compensation committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Except as permitted by Section 423 of the Code, with respect to the Non-Section 423 Component, such special terms may not be more favorable than the terms of rights granted under the Section 423 Component to eligible employees who are residents of the United States.

Offering Periods. The ESPP provides for offering periods, not to exceed 27 months each, during which we will grant rights to purchase our Ordinary Shares to our employees. The timing of the offering periods will be determined by the administrator. The terms and conditions applicable to each offering period will be set forth in an offering document adopted by the administrator for the particular offering period. The maximum number of shares that may be purchased by any eligible employee during a particular offering period is 1,500 shares, unless otherwise specified by the administrator in the offering document. The provisions of offerings during separate offering periods under the ESPP need not be identical.

Contributions. Our ESPP will permit participants to purchase our Ordinary Shares through contributions (in the form of payroll deductions, or otherwise, to the extent permitted by the administrator). The percentage of compensation designated by an eligible employee as payroll deductions for participation in an offering may not be less than 1% and may not be more than the maximum percentage specified by the administrator in the applicable offering document (which maximum percentage shall be 20% in the absence of any such specification). A participant may increase or decrease the percentage of compensation designated in his or her subscription agreement, or may suspend his or her payroll deductions, at any time during an offering period; provided, however, that the administrator may limit the number of changes a participant may make in the applicable offering document. In the absence of any specific designation by the administrator, a participant may decrease (but not increase) his or her payroll deduction elections one time during each offering period.

Exercise of Purchase Right. Amounts contributed and accumulated by the participant will be used to purchase our Ordinary Shares at the end of each offering period. Unless otherwise determined by the administrator, the purchase price of the shares will be 85% of the lower of the fair market value of our Ordinary Shares on (i) the first trading day of the offering period or (ii) the last trading day of the offering period (and may not be lower than such amount with respect to the Section 423 Component). Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase our Ordinary Shares. Participation ends automatically upon termination of employment with us.

Non-Transferability. A participant may not transfer contributions credited to his or her account nor any rights granted under our ESPP other than by will, the laws of descent and distribution or as otherwise provided under our ESPP.

Corporate Transactions. In the event of certain transactions or events such as a consolidation, merger or similar transaction, a sale or transfer of all or substantially all of the Company's assets, or a dissolution or liquidation of the Company, the administrator may, in its discretion, provide that (i) each outstanding purchase right will be (a) assumed or substituted for a right granted by the acquiror or successor corporation or by a parent or subsidiary of such entity, (b) terminated in exchange for cash or other property as determined by the administrator, (c) adjusted with respect to the number and type of shares (or other securities or property) subject to outstanding rights under the ESPP and/or in the terms and conditions of outstanding rights and rights that may be granted in the future; (d) cancelled with accumulated payroll deductions returned to each participant, or (ii) the participant's accumulated payroll deductions may be used to purchase shares prior to the end of the offering period and before the date of the proposed sale, merger or similar transaction.

Amendment; Termination. The administrator will have the authority to amend, suspend or terminate our ESPP. Our ESPP is not subject to a specific termination date.

C. BOARD PRACTICES

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

We are a "foreign private issuer", as such term is defined in Rule 405 under the Securities Act. As a foreign private issuer, we are permitted to comply with Israeli corporate governance practices instead of the corporate governance rules of the NYSE, provided that we disclose which requirements we are not following and the equivalent Israeli requirement.

We rely on this "foreign private issuer exemption" with respect to the quorum requirement for shareholder meetings and with respect to NYSE shareholder approval rules. Whereas under the corporate governance rules of NYSE, a quorum requires the presence, in person or by proxy, of holders of at least 33.33% of the total issued outstanding voting power of our shares at each general meeting of shareholders, pursuant to our Amended and Restated Articles of Association, and as permitted under the Companies Law, the quorum required for a general meeting of shareholders consists of at least two shareholders present in person or by proxy in accordance with the Companies Law who hold or represent at least 33.33% of the total outstanding voting power of our shares, except if (i) any such general meeting of shareholders was initiated by and convened pursuant to a resolution adopted by the board of directors and (ii) at the time of such general meeting, we qualify as a "foreign private issuer," in which case the requisite quorum will consist of two or more shareholders present in person or by proxy who hold or represent at least 25% of the total outstanding voting power of our shares (and if the meeting is adjourned for a lack of quorum, the quorum for such adjourned meeting will be, subject to certain exceptions, any number of shareholders). We otherwise intend to comply with the rules generally applicable to U.S. domestic companies listed on the NYSE. We may, however, in the future decide to rely upon the "foreign private issuer exemption" for purposes of opting out of some or all of the other corporate governance rules.

Board of Directors

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

Under our Amended and Restated Articles of Association, the number of directors on our board of directors will be no less than three and no more than eleven, divided into three classes with staggered three-year terms. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors. At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election. Therefore, beginning with the annual general meeting of 2022, held on November 10th 2022, each year, the term of office of only one class of directors will expire.

Our directors are divided among the three classes as follows:

- the Class I directors are Moshe Lichtman, Yoram Salinger and Tal Yaacobi, whose term will expire at our annual meeting of shareholders to be held in 2028;
- the Class II directors, are Yahal Zilka, Igall Rotem and Gideon Ben Zvi, whose term will expire at our annual meeting of shareholders to be held in 2026; and
- the Class III directors are Adi Yarel Toledano, Peter Kuo and Peter Mertens, whose term will expire at our annual meeting of shareholders to be held in 2027.

Our directors are generally appointed by a simple majority vote of holders of Valens Ordinary Shares, participating and voting (in person or by proxy) at an annual general meeting of our shareholders, provided that (i) in the event of a contested election, the method of calculation of the votes and the manner in which the resolutions will be presented to our shareholders at the general meeting shall be determined by our board of directors in its discretion, and (ii) in the event that our board of directors does not or is unable to make a determination on such matter, then the directors will be elected by a plurality of the voting power represented at the general meeting in person or by proxy and voting on the election of directors.

Each director shall hold office until the annual general meeting of our shareholders for the year in which such director’s term expires, unless the tenure of such director expires earlier pursuant to the Companies Law or unless such director is removed from office as described below.

Under our Amended and Restated Articles of Association, the approval of the holders of at least 65% of the total voting power of our shareholders is generally required to remove any of our directors from office or amend the provision requiring the approval of at least 65% of the total voting power of our shareholders to remove any of our directors from office. In addition, vacancies on our board of directors may be filled by a vote of a simple majority of the directors then in office. A director so appointed will hold office until the next annual general meeting of our shareholders for the election of the class of directors in respect of which the vacancy was created. In the case of a vacancy due to the number of directors being less than the maximum number of directors stated in our Amended and Restated Articles of Association, the new director filling the vacancy will serve until the next annual general meeting of our shareholders for the election of the class of directors to which such director was assigned by our board of directors.

Chairperson of the Board

Our Amended and Restated Articles of Association, provide that the board of directors shall appoint a member of the board to serve as the Chairperson. Under the Companies Law, the chief executive officer of a public company, or a relative of the chief executive officer, may not serve as the chairperson of the board of directors, and the chairperson of the board of directors, or a relative of the chairperson, may not be vested with authorities of the Chief Executive Officer unless approved by a special majority of the company’s shareholders. The shareholders’ approval can be effective for a period of five years following an initial public offering, and subsequently, for additional periods of up to three years.

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

External Directors

Under the Companies Law, companies incorporated under the laws of the State of Israel that are “public companies,” including companies with shares listed on the NYSE, are required to appoint at least two external directors. Pursuant to regulations promulgated under the Companies Law, companies with shares traded on certain U.S. stock exchanges, including the NYSE, which do not have a “controlling shareholder,” may, subject to certain conditions, “opt out” from the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors. In accordance with these regulations, we have elected to “opt out” from the Companies Law requirement to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of our board of directors.

Director Independence

The NYSE listing standards require that a majority of our board of directors be independent. An “independent director” is defined generally as a person who has no material relationship with the listed company (either directly or as a partner, stockholder, or officer of an organization that has a relationship with the listed company). Our board of directors has determined that Yahal Zilka, Moshe Lichtman, Igal Rotem, Peter Mertens, Peter Kuo and Adi Toledano Yarel are “independent directors” as defined in the NYSE listing standards and applicable SEC rules. Further, Michael Linse and Eyal Kishon were also determined to be “independent directors” for the period of time that they served on our board of directors during 2025.

Audit Committee

Companies Law Requirements

Under the Companies Law, the board of directors of a public company must appoint an audit committee.

Listing Requirements

Under the corporate governance rules of the NYSE, we are required to maintain an audit committee consisting of at least three independent directors, each of whom is financially literate and one of whom has accounting or related financial management expertise.

Our audit committee consists of Adi Yarel-Toledano, Peter Mertens, and Peter Kuo. Adi Yarel-Toledano will serve as the chairperson of the audit committee. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the corporate governance rules of the NYSE. Our board of directors has determined that Adi Yarel is an audit committee financial expert as defined by the SEC rules and has the requisite financial experience as defined by the corporate governance rules of NYSE.

Our board of directors has determined that each member of our audit committee is “independent”, as such term is defined in Rule 10A-3(b)(1) under the Exchange Act, which is different from the general test for independence of board and committee members.

Audit Committee Role

Our board of directors has adopted an audit committee charter setting forth the responsibilities of the audit committee, which are consistent with the Companies Law, the SEC rules, and the corporate governance rules of the NYSE. These responsibilities include:

- retaining and terminating our independent auditors, subject to ratification by the board of directors, and in the case of retention, subject to ratification by the shareholders;
- pre-approving audit and non-audit services to be provided by the independent auditors and related fees and terms;
- overseeing the accounting and financial reporting processes of our company;
- managing audits of our financial statements;
- preparing all reports as may be required of an audit committee under the rules and regulations promulgated under the Exchange Act;
- reviewing with management and our independent auditor our annual and quarterly financial statements prior to publication, filing, or submission to the SEC;
- recommending to the board of directors the retention and termination of the internal auditor, and the internal auditor’s engagement fees and terms, in accordance with the Companies Law, as well as approving the yearly or periodic work plan proposed by the internal auditor;
- reviewing with our general counsel and/or external counsel, as deemed necessary, legal and regulatory matters that may have a material impact on the financial statements;
- identifying irregularities in our business administration, inter alia, by consulting with the internal auditor or with the independent auditor, and suggesting corrective measures to the board of directors;
- reviewing policies and procedures with respect to transactions (other than transactions related to compensation or terms of services) between the Company and officers and directors, affiliates of officers or directors, or transactions that are not in the ordinary course of the Company’s business and deciding whether to approve such acts and transactions if so required under the Companies Law; and
- establishing procedures for handling employee complaints relating to the management of our business and the protection to be provided to such employees.

Compensation Committee

Companies Law Requirements

Under the Companies Law, the board of directors of a public company must appoint a compensation committee.

Listing Requirements

Under the corporate governance rules of the NYSE, we are required to maintain a compensation committee consisting of at least two independent directors.

Our compensation committee consists of Peter Mertens, Igal Rotem and Yahal Zilka. Peter Mertens serves as chairperson of the compensation committee. Our board of directors has determined that each member of our compensation committee is independent under the corporate governance rules of the NYSE, including the additional independence requirements applicable to the members of a compensation committee.

Compensation Committee Role

In accordance with the Companies Law, the responsibilities of the compensation committee are, among others, as follows:

- making recommendations to the board of directors with respect to the approval of the compensation policy for office holders and, once every three years, with respect to any extensions to a compensation policy that was adopted for a period of more than three years;
- reviewing the implementation of the compensation policy and periodically making recommendations to the board of directors with respect to any amendments or updates to the compensation policy;
- resolving whether to approve arrangements with respect to the terms of office and employment of office holders; and
- exempting, under certain circumstances, a transaction with our Chief Executive Officer from the approval of our shareholders.

Our board of directors has adopted a compensation committee charter setting forth the responsibilities of the committee, which are consistent with the corporate governance rules of the NYSE and include among others:

- recommending to our board of directors for its approval a compensation policy, in accordance with the requirements of the Companies Law, as well as other compensation policies, incentive-based compensation plans, and equity-based compensation plans, overseeing the development and implementation of such policies, and recommending to our board of directors any amendments or modifications the committee deems appropriate, including as required under the Companies Law;
- reviewing and approving the granting of options and other incentive awards to our Chief Executive Officer and other executive officers, including reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, including evaluating their performance in light of such goals and objectives;
- approving and exempting certain transactions regarding office holders' compensation pursuant to the Companies Law; and
- administering our equity-based compensation plans, including without limitation, approving the adoption of such plans, amending and interpreting such plans, and the awards and agreements issued pursuant thereto, and making and determining the terms of awards to eligible persons under the plans.

Compensation Policy under the Companies Law

In general, under the Companies Law, the board of directors of a public company must approve a compensation policy after receiving and considering the recommendations of the compensation committee. In addition, our compensation policy must be approved at least once every three years, first, by our board of directors, upon recommendation of our compensation committee, and second, by a simple majority of Valens Ordinary Shares present, in person or by proxy, and voting (excluding abstentions) at a general meeting of shareholders, provided that either:

- the majority of such Valens Ordinary Shares is comprised of shares held by shareholders who are not controlling shareholders and shareholders who do not have a personal interest in such compensation policy; or
- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in the compensation policy voting against the policy does not exceed two percent (2%) of the aggregate voting rights in the company.

Under special circumstances, the board of directors may approve the compensation policy despite the objection of the shareholders on the condition that the compensation committee and then the board of directors decide on the basis of detailed grounds, and after discussing again with the compensation policy, that approval of the compensation policy, despite the objection of shareholders, is for the benefit of the company.

If a company adopts a compensation policy in advance of its initial public offering (or in our case, prior to the closing of the merger) and describes such compensation policy in the prospectus for such offering, then such compensation policy shall be deemed a validly adopted policy in accordance with the Companies Law requirements described above. Furthermore, if the compensation policy is established in accordance with the aforementioned relief, then it will remain in effect for a term of five years from the date such company becomes a public company.

The compensation policy must be based on certain considerations, include certain provisions and reference certain matters as set forth in the Companies Law. The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of office holders, including exculpation, insurance, indemnification, or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must be determined and later reevaluated according to certain factors, including: the advancement of the company's objectives, business plan and long-term strategy; the creation of appropriate incentives for office holders, while considering, among other things, the company's risk management policy; the size and the nature of the company's operations; and with respect to variable compensation, the contribution of the office holder towards the achievement of the company's long-term goals and the maximization of its profits, all with a long-term objective and according to the position of the office holder. The compensation policy must furthermore consider the following additional factors:

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

The compensation policy must also include, among other things:

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

Our compensation policy is designed to retain and motivate our directors and executive officers, incentivize superior individual excellence, align the interests of our directors and executive officers with our long-term performance, and provide a risk management tool. To that end, a portion of our executive officer compensation package is targeted to reflect our short and long-term goals, as well as the executive officer's individual performance. Our compensation policy also includes measures designed to reduce the executive officer's incentives to take excessive risks that may harm the Company in the long-term, such as limits on the value of cash bonuses and equity-based compensation, limitations on the ratio between the variable and the total compensation of an executive officer, and minimum vesting periods for equity-based compensation.

Our compensation policy also addresses our executive officers' individual characteristics (such as their respective position, education, scope of responsibilities, and contribution to the attainment of our goals) as the basis for compensation variation among our executive officers and considers the internal ratios between compensation of our executive officers and directors and other employees. Pursuant to our compensation policy, the compensation that may be granted to an executive officer may include base salary, annual bonuses, and other cash bonuses (such as a signing bonus and special bonuses with respect to any special achievements, such as outstanding personal achievement, outstanding personal effort, or outstanding company performance), equity-based compensation, benefits and retirement and termination of service arrangements. All cash bonuses are limited to a maximum amount linked to the executive officer's base salary.

An annual cash bonus may be awarded to executive officers upon the attainment of pre-set periodic objectives and individual targets. The annual cash bonus that may be granted to our executive officers, other than our Chief Executive Officer, will be based on performance objectives and a discretionary evaluation of the executive officer's overall performance by our Chief Executive Officer and subject to minimum thresholds. The annual cash bonus that may be granted to executive officers, other than our Chief Executive Officer, may alternatively be based entirely on a discretionary evaluation. Furthermore, our Chief Executive Officer is entitled to approve performance objectives for executive officers who report to him.

The measurable performance objectives of our Chief Executive Officer is determined annually by our compensation committee and board of directors. A non-material portion of the Chief Executive Officer's annual cash bonus, as provided in our compensation policy, may be based on a discretionary evaluation of the Chief Executive Officer's overall performance by the compensation committee and the board of directors.

Under our compensation policy, our executive officers' (including members of our board of directors) equity-based compensation is designed in a manner consistent with the underlying objectives in determining the base salary and the annual cash bonus, with its main objectives being to enhance the alignment between the executive officers' interests with our long-term interests and those of our shareholders and to strengthen the retention and the motivation of executive officers in the long term. Our compensation policy provides for executive officer compensation in the form of share options or other equity-based awards, such as restricted shares and restricted share units, in accordance with our then-current equity incentive plan. All equity-based incentives granted to executive officers shall be subject to vesting periods in order to promote long-term retention of those executive officers. Equity-based compensation shall be granted from time to time and be individually determined and awarded according to the performance, educational background, prior business experience, qualifications, role, and the personal responsibilities of the executive officer.

In addition, our compensation policy contains compensation recovery provisions which allow us, under certain conditions, to recover bonuses paid in excess, enable our Chief Executive Officer to approve an immaterial change in the terms of employment of an executive officer who reports directly him (provided that such changes are in accordance with our compensation policy), and allow us to exculpate, indemnify, and insure our executive officers and directors to the maximum extent permitted by Israeli law subject to certain limitations set forth therein.

Our compensation policy also provides for compensation to the members of our board of directors either (i) in accordance with the amounts provided in the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director), 5760-2000, as amended by the Companies Regulations (Relief for Public Companies Traded in Stock Exchange Outside of Israel), 5760-2000, as such regulations may be amended from time to time, or (ii) in accordance with the amounts determined in our compensation policy.

Nominating, Governance and Sustainability Committee

Our nominating, governance and sustainability committee consists of Igal Rotem, Peter Kuo and Tal Yaacobi. Igal Rotem serves as chairperson of the nominating, governance and sustainability committee. Our board of directors has adopted a nominating, governance and sustainability committee charter setting forth the responsibilities of the committee, which include:

- overseeing and assisting our board in reviewing and recommending nominees for election of directors;
- assessing the performance of the members of our board;
- overseeing the Company's ESG policies, programs, and strategies; and
- establishing and maintaining effective corporate governance policies and practices, including, but not limited to, developing and recommending to our board a set of corporate governance guidelines applicable to our business.

Internal Auditor

Under the Companies Law, the board of directors of a public company must appoint an internal auditor based on the recommendation of the audit committee. The role of the internal auditor is, among other things, to review the company's compliance with applicable law and orderly business procedure. Under the Companies Law, the internal auditor cannot be an interested party, an office holder, or a relative of an interested party or an office holder. Nor may the internal auditor be the company's independent auditor or its representative. An "interested party" is defined in the Companies Law as (i) a holder of 5% or more of the issued share capital or voting power in a company, (ii) any person or entity who has the right to designate one or more directors or to designate the chief executive officer of the company, or (iii) any person who serves as a director or as chief executive officer of the company. As of December 31, 2025, Ms.

Dafna Barzilai, CPA from Dafna Barzilai & Co., is acting as our internal auditor.

Approval of Related Party Transactions under Israeli Law

Fiduciary Duties of Directors and Executive Officers

The Companies Law codifies the fiduciary duties that office holders owe to a company. An 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 such person's title, a director, and any other manager directly subordinate to the general manager. Each person listed in the table under "Management—Management and Board of Directors" is an office holder under the Companies Law.

An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. 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 act under the same circumstances. The duty of care includes, among other things, a duty to use reasonable means, in light of the circumstances, to obtain:

- information on the business advisability of a given action brought for the office holder's approval or performed by virtue of the office holder's position; and
- all other important information pertaining to such action.

The duty of loyalty requires an office holder to act in good faith and in the best interests of the Company, and includes, among other things, the duty to:

- refrain from any act involving a conflict of interest between the performance of the office holder's duties in the company and the office holder's other duties or personal affairs;
- refrain from any activity that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company for the purpose of gaining a personal advantage for the office holder or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of the office holder's position.

Under the Companies Law, a company may approve an act, specified above, which would otherwise constitute a breach of the office holder's fiduciary duty, provided that the office holder acted in good faith, neither the act nor its approval harms the company, and the personal interest of the office holder is disclosed a sufficient time before the approval of such act. Any such approval is subject to the terms of the Companies Law setting forth, among other things, the appropriate bodies of the company required to provide such approval and the methods of obtaining such approval.

Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions

The Companies Law requires that an office holder promptly disclose to the board of directors any personal interest and all related material information known to such office holder concerning any existing or proposed transaction with the company. A personal interest includes an interest of any person in an act or transaction of a company, including a personal interest of one's relative or of a corporate body in which such person or a relative of such person is a 5% or greater shareholder, director, or general manager or in which such person has the right to appoint at least one director or the general manager, but excluding a personal interest stemming solely from one's ownership of shares in the company. A personal interest includes the personal interest of a person for whom the office holder holds a voting proxy or the personal interest of the office holder with respect to the officer holder's vote on behalf of a person for whom he or she holds a proxy even if such shareholder has no personal interest in the matter.

If it is determined that an office holder has a personal interest in a non-extraordinary transaction (meaning any transaction that is in the ordinary course of business, on market terms or that is not likely to have a material impact on the company's profitability, assets or liabilities), approval by the board of directors is required for the transaction unless the company's articles of association provide for a different method of approval. Any such transaction that is adverse to the company's interests may not be approved by the board of directors.

Approval first by the company's audit committee and subsequently by the board of directors is required for an extraordinary transaction (meaning any transaction that is not in the ordinary course of business, not on market terms or that is likely to have a material impact on the company's profitability, assets or liabilities) in which an office holder has a personal interest.

A director and any other office holder who has a personal interest in a transaction which is considered at a meeting of the board of directors or the audit committee may generally (unless it is with respect to a transaction which is not an extraordinary transaction) not be present at such a meeting or vote on that matter unless a majority of the directors or members of the audit committee, as applicable, have a personal interest in the matter. If a majority of the members of the audit committee or the board of directors have a personal interest in the matter, then all of the directors may participate in deliberations of the audit committee or board of directors, as applicable, with respect to such transaction and vote on the approval thereof and, in such case, shareholder approval is also required.

Certain disclosure and approval requirements apply under Israeli law to certain transactions with controlling shareholders, certain transactions in which a controlling shareholder has a personal interest, and certain arrangements regarding the terms of service or employment of a controlling shareholder. For these purposes, a controlling shareholder is any shareholder that has the ability to direct the company's actions, including any shareholder holding 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights in the company. Two or more shareholders with a personal interest in the approval of the same transaction are deemed to be one shareholder.

Shareholder Duties

Pursuant to the Companies Law, a shareholder has a duty to act in good faith and in a customary manner toward the company and other shareholders and to refrain from abusing his or her power with respect to the company, including, among other things, in voting at a general meeting and at shareholder class meetings with respect to the following matters:

- an amendment to the company's articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- interested party transactions that require shareholder approval.

In addition, a shareholder has a general duty to refrain from discriminating against other shareholders.

Certain shareholders also have a duty of fairness toward the company. These shareholders include any controlling shareholder, any shareholder who knows that it has the power to determine the outcome of a shareholder vote, and any shareholder who has the power to appoint or to prevent the appointment of an office holder of the company or exercise any other rights available to it under the company's articles of association with respect to the company. The Companies Law does not define the substance of this duty of fairness, 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 of fairness.

Exculpation, Insurance and Indemnification of Office Holders

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

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

- a financial liability imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the above mentioned events and amount or criteria;
- reasonable litigation expenses, including legal fees, incurred by the office holder (1) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and (2) in connection with a monetary sanction;
- reasonable litigation expenses, including legal fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third-party or in connection with criminal proceedings in which the office holder was acquitted or as a result of a conviction for an offense that does not require proof of criminal intent; and
- expenses, including reasonable litigation expenses and legal fees, incurred by an office holder in relation to an administrative proceeding instituted against such office holder, or certain compensation payments made to an injured party imposed on an office holder by an administrative proceeding, pursuant to certain provisions of the Israeli Securities Law, 5728-1968 (the "Israeli Securities Law"); and
- expenses, including reasonable litigation expenses and legal fees, incurred by an office holder in relation to an administrative proceeding instituted against such office holder pursuant to certain provisions of the Israeli Economic Competition Law, 5748-1988.

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

- a breach of the duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the Company;
- a breach of the duty of care to the company or to a third-party, including a breach arising out of the negligent conduct of the office holder;
- a financial liability imposed on the office holder in favor of a third-party;
- a financial liability imposed on the office holder in favor of a third-party harmed by a breach in an administrative proceeding; and
- expenses, including reasonable litigation expenses and legal fees, incurred by the office holder as a result of an administrative proceeding instituted against him or her, pursuant to certain provisions of the Israeli Securities Law.
- an Israeli company may not indemnify or insure an office holder against any of the following:
 - a breach of the duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
 - a breach of the duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
 - an act or omission committed with intent to derive illegal personal benefit; or
 - a fine, monetary sanction, or forfeit levied against the office holder.

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

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

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

The maximum indemnification amount set forth in such agreements is limited to an amount equal to the higher of \$100 million and 25% of our total shareholders' equity as reflected in our most recent consolidated financial statements prior to the date on which the indemnity payment is made. The maximum amount set forth in such agreements is in addition to any amount paid (if paid) under insurance and/or by a third-party pursuant to an indemnification arrangement.

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

D. EMPLOYEES

As of December 31, 2025, we had 233 employees and contractors, primarily based in our headquarters in Israel. In January 2026, we announced a plan to improve operational efficiency, which includes a reduction in force across the Company's departments by approximately 10%.

In regard to our Israeli employees, Israeli labor laws govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Subject to certain exceptions, Israeli law generally requires severance pay upon the retirement, death or dismissal of an employee, and requires us and our employees to make payments to the National Insurance Institute, which is similar to the U.S. Social Security Administration. Our employees have pension plans that comply with the applicable Israeli legal requirements, and we make monthly contributions to severance pay funds for all employees, which cover potential severance pay obligations (for additional information see Note 2m to the financial statements attached to this Annual Report).

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

We have never experienced labor-related work stoppages or strikes.

E. SHARE OWNERSHIP

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

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 relating to the beneficial ownership of our Ordinary Shares as of February 10, 2026, by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of outstanding Ordinary Shares;
- each of our directors;
- each of our executive officers; and
- all of our directors and executive officers as a group.

The SEC has defined "beneficial ownership" of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A shareholder is also deemed to be, as of any date, the beneficial owner of all securities that such shareholder has the right to acquire within 60 days after that date through (i) the exercise of any option, warrant or right, (ii) the conversion of a security, (iii) the power to revoke a trust, discretionary account or similar arrangement, or (iv) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, Ordinary Shares subject to options or other rights (as set forth above) held by that person that are currently exercisable, or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person. Each person named in the table has sole voting and investment power with respect to all of the Ordinary Shares shown as beneficially owned by such person, except as otherwise indicated in the table or footnotes below.

The percentage of Ordinary Shares beneficially owned is computed on the basis of 105,292,700 Ordinary Shares outstanding as of February 5, 2026.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all of our Ordinary Shares beneficially owned by them, and no holder identified below has different voting rights from other shareholders.

We are not controlled by another corporation, by any foreign government or by any natural or legal persons except as set forth herein, and there are no arrangements known to us which would result in a change in control of us at a subsequent date.

Name	Beneficially Owned	% out of Issued
5% Holders:		
Value Base Ltd. (1)	21,333,352	20.26%
Executive Officers and Directors:		
Gideon Ben-Zvi (2)	3,300,406	3.13%
Yoram Salinger (3)	0	(*)
Guy Nathanzon (4)	103,750	(*)
Nelly Elkavetz (5)	340,393	(*)
David Chairman (6)	314,855	(*)
Amir Boim (7)	348,230	(*)
Peter Mertens (8)	576,876	(*)
Yahal Zilka (9)	1,121,802	1%
Moshe Lichtman (10)	3,708,842	3.52%
Peter Kuo (11)	810,889	(*)
Adi Yarel Toledano (12)	301,323	(*)
Igal Rotem (13)	17,960	(*)
Tal Yaacobi (14)	21,333,352	20.26%
All Executive Officers and Directors as a Group	32,278,678	

* Less than 1%.

- (1) Based on information available to the Company and as reported in a Schedule 13D filed on November 20, 2025, the Ordinary Shares beneficially owned by this shareholder consist of (i) 33,456 Ordinary Shares, in the aggregate, underlying RSUs and options held directly by Mr. Yaacobi that have vested or will vest or become exercisable, respectively, following November 20, 2025 and until the date that is within 60 days of February 5, 2026, as further described in footnote (14) below, together with an additional (ii) the November 20, 2025 reported 21,299,896 Ordinary Shares held in the aggregate by Value Base Fund Limited Partnership (“VBF LP”) and Value Base Fund Invest 1, Limited Partnership (“VBFI LP”). Value Base Fund General Partner Ltd. (“VBF GP”) acts as the general partner of VBF LP, is majority owned by Value Base Ltd. (“Value Base”), and has delegated its management responsibilities to a management company, Value Base Fund Management Ltd. (“VBF MC”), which is controlled by Value Base. Value Base Invest Management Ltd. (“VBFI GP”) acts as the general partner of VBFI LP and is majority owned by Value Base, which is controlled by Messrs. Victor Shamrich and Ido Nouberger. Mr. Yaacobi serves as CEO and managing partner of VBF LP and VBFI LP and CEO of VBF GP, VBFI GP and VBF MC. Pursuant to his existing management agreement with Value Base, Mr. Yaacobi will assign to Value Base all Ordinary Shares received following the exercise of his options or the vesting of his RSUs, which will be allocated to VBF LP and VBFI LP pro rata in relation to their holdings. Because Mr. Yaacobi and the other persons and entities named above may be deemed to constitute a “group” for purposes of Section 13(d) of the Exchange Act, each may share voting and dispositive power with respect to all of the above-described Ordinary Shares. Each of the persons and entities named above disclaims the existence of a group and specifically disclaims beneficial ownership of the securities reported herein except to the extent of his or its pecuniary interest therein.
- (2) Consists of (i) 309,851 Ordinary Shares, and (ii) 2,92,655 Ordinary Shares underlying options to acquire Ordinary Shares, including those exercisable within 60 days of February 5, 2026.
- (3) For information on the equity granted to Mr. Salinger upon his appointment to the position of the Chief Executive Officer of the Company, which started on November 13, 2025, see “Part I, Item 6, B. Compensation” of this Annual Report. None of options granted have vested, as of February 5, 2026 or will vest until April 5, 2026.
- (4) Consists of (i) 103,750 Ordinary Shares and (ii) 0 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 5, 2026.
- (5) Consists of (i) 165,114 Ordinary Shares, and (ii) 175,279 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 5, 2026.

- (6) Consists of (i) 189,222 Ordinary Shares, and (ii) 125,633 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 5, 2026.
- (7) Consists of (i) 189,222 Ordinary Shares, and (ii) 159,008 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 5, 2026.
- (8) Consists of (i) 97,059 Ordinary Shares, and (ii) 479,817 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 5, 2026.
- (9) Based on information available to the Company and as reported on a Schedule 13G filed on April 2, 2025, the Ordinary Shares beneficially owned by this shareholder consist of (i) 962,892 Ordinary Shares as of December 31, 2023, and (ii) 158,896 Ordinary Shares that have vested or will vest, or become exercisable, respectively, following December 31, 2023 and until the date that is within 60 days of February 5, 2026. In addition, Mr. Zilka may be deemed the beneficial owner of 14 Ordinary Shares held by Magma Venture Capital II CEO Fund, L.P. (“Magma II CEO”), controlled by its general partner, Magma Venture Capital Management II LP. Magma Venture Capital Management II LP is controlled by Magma Venture Partners General Partner Ltd, the directors of which are Yahal Zilka and Modi Rosen. Mr. Zilka otherwise disclaims beneficial ownership over the shares beneficially owned by Magma Venture Capital II CEO Fund, L.P.
- (10) Consists of (i) 110,253 Ordinary Shares, and (ii) 108,799 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 5, 2026. In addition, Mr. Lichtman is a General Partner of IGP Connectivity Solutions, and may be deemed to share voting and dispositive power of 3,489,790 Ordinary Shares. Mr. Lichtman otherwise disclaims beneficial ownership over the shares beneficially owned by IGP Connectivity Solutions.
- (11) Consists of (i) 716,699 Ordinary Shares, and (ii) 81,690 Ordinary Shares underlying options to acquire Ordinary Shares exercisable with 60 days of February 5, 2026. In addition, Mr. Kuo is the Managing Director of PTK Holdings LLC, and may be deemed to share voting and dispositive power of 12,500 Ordinary Shares. Mr. Kuo otherwise disclaims beneficial ownership over the shares beneficially owned by PTK Holdings LLC.
- (12) Consists of (i) 188,987 Ordinary Shares, and (ii) 112,336 Ordinary Shares underlying options to acquire Ordinary Shares exercisable with 60 days of February 5, 2026.
- (13) Consists of (i) 10,133 Ordinary Shares, and (ii) 7,827 Ordinary Shares underlying options to acquire Ordinary Shares exercisable with 60 days of February 5, 2026.
- (14) See footnote (1) above. Mr. Yaacobi disclaims the existence of a “group” for purposes of Section 13(d) of the Exchange Act and specifically disclaims beneficial ownership of the securities reported herein except to the extent of his pecuniary interest therein.

Registered Holders

Based on a review of the information provided to us by our transfer agent, as of December 31, 2025, we had 34 registered holders of our outstanding Ordinary Shares, with 9 registered holders of our shares in the United States, representing 91.1% of our outstanding Ordinary Shares. One of our registered holders in the United States is Cede & Co., the nominee of the Depository Trust Company, who holds approximately 90.3% of our outstanding U.S.-held Ordinary Shares as of December 31, 2025.

B. RELATED PARTY TRANSACTIONS

The below is a description of all reportable related party transactions since January 1, 2025.

Rights of Appointment

Valens' board of directors consists of nine directors.

Board Nomination Agreement

On July 23, 2024, Valens entered into a board nomination agreement (the "Board Nomination Agreement") with Value Base Fund Limited Partnership, Value Base Fund Invest 1, Limited Partnership and Value Base Ltd. (collectively in this section, "Value Base").

Pursuant to the Board Nomination Agreement, Valens agreed that Value Base's designee, Mr. Tal Yaacobi (the "Designee"), would be appointed, effective as of August 8, 2024, to the Company's Board, to serve as a Class I director (and was re-elected at the 2025 annual meeting of shareholders), and as a member of the Board's Nominating, Governance and Sustainability Committee.

Pursuant to the Board Nomination Agreement, Value Base and its affiliates also agreed not to increase their beneficial ownership of the Valens' Ordinary Shares to more than 24.99% of the total Ordinary Shares of the Valens' outstanding shares during a period commencing on the effective date of the Board Nomination Agreement and ending on the earlier of the 2026 annual meeting of shareholders or the Designee's departure from the Board (the "Standstill Period").

During the Standstill Period, Value Base also agreed not to solicit proxies, or encourage or influence any person, for the election of individuals to the Board, or to seek representation on or nominate any candidate affiliated with Value Base to the Board, except the Designee. Value Base is able, however, to propose and act to nominate qualified candidates to the Board who are not affiliated with Value Base.

Notwithstanding the Designee's votes as a member of the Board or the Nominating, Governance and Sustainability Committee, Value Base as a shareholder undertook pursuant to the Nomination Agreement to vote all of its Ordinary Shares of the Company during the Standstill Period (i) at the 2024 annual meeting of shareholders, in favor of the entire class of candidates that is supported by a majority of the Board and against any other candidates not supported by a majority of the Board, (ii) at the 2025 annual meeting of shareholders, in favor of at least two members of the class of candidates that are supported by a majority of the Board (i.e., Value Base may object to only one candidate) and against all other candidates not supported by a majority of the Board (but one such nominee) and (iii) at the 2026 annual meeting of shareholders, in favor of at least one member of the class of candidate nominated that is supported by a majority of the Board (i.e., Value Base may object to two candidates) and against all other candidates not supported by a majority of the Board (but two such nominees).

In addition, Value Base agreed to vote against any shareholder proposal that results in an increase or decrease to the size of the Board as set in accordance with Valens' Articles of Association.

Except as set forth above, Value Base and the Designee are free to engage in any discussions, solicitation or any other action related to its plans or proposals.

Valens' obligations under the Board Nomination Agreement will terminate under certain conditions, including if (i) Value Base and its affiliates cease to beneficially own at least 5% of the outstanding Ordinary Shares of the Valens, (ii) the Designee fails to comply with Board policies and procedures or qualify as a director under applicable law, (iii) Value Base or the Designee fails to comply with material terms of the Board Nomination Agreement or (iv) in the event of Change of Control (as defined in the Board Nomination Agreement).

Except for the Board Nomination Agreement, there are currently no other rights granted by the Company to appoint directors and observers to the Board.

Agreements with Officers and Directors

Employment Agreements. Valens has entered into employment agreements with each of its executive officers, specifying the terms of each individual's employment or service, as applicable. These agreements provide for notice periods of varying duration for termination of the agreement by us or by the relevant executive officer, during which time the executive officer will continue to receive base salary and benefits. These agreements also 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 2025, with the announcement of the CEO transition, the board of directors of the Company adopted a key leadership retention plan which included retention cash bonuses, extended notice periods of varying durations for termination of employment of executives by the Company during the first year of tenure of a new CEO, as well as a one-time equity award, designed to support long-term retention and alignment with the Company's performance, comprised of options to purchase Ordinary Shares of the Company. All of these options will vest in June 2027.

Non-Employee Director Compensation. During the years ended as of December 31, 2025 and 2024, the Company paid to the non-employee directors, a total amount of \$0.5 and \$0.4 million, annually, respectively. The payment was made in accordance with the Non-Employee Directors Compensation Package. For more information see "Part I, Item 6. Directors, Senior Management and Employees- B. Compensation".

CEO Compensation Package. For more information see "Part I, Item 6. Directors, Senior Management and Employees- B. Compensation".

Options and RSUs. Since Valens' inception, Valens has granted options to purchase Valens Ordinary Shares and RSUs to its executive officers and directors.

Exculpation, indemnification, and insurance. Valens' Amended and Restated Articles of Association permit it to exculpate, indemnify and insure certain of its officeholders (as such term is defined under the Companies Law) to the fullest extent permitted by the Companies Law. Valens entered into agreements with certain officeholders, exculpating them from a breach of their duty of care to Valens to the fullest extent permitted by law and undertaking to indemnify them to the fullest extent permitted by law, subject to certain exceptions, to the extent that these liabilities are not covered by insurance.

Investors' Rights Agreement

On May 25, 2021, the Company entered into a Business Combination Agreement with PTK Acquisition Corp. ("PTK"), (the "Business Combination"). Pursuant to the Business Combination Agreement, a Valens subsidiary (the "Merger Sub") merged with and into PTK, with PTK surviving the merger (the merger and other transactions contemplated by Business Combination Agreement are referred to herein as the "Transactions"). As a result of the Transactions, PTK became a wholly owned subsidiary of Valens, with the securityholders of PTK becoming securityholders of Valens.

Concurrently with the execution of the Business Combination Agreement dated May 25, 2021, Valens, PTK Holdings LLC (the "Sponsor") and certain shareholders of Valens entered into the Investors' Rights Agreement pursuant to which, following completion of the Transactions, Valens agreed to register for resale upon demand certain Valens Ordinary Shares that are held by the parties thereto from time to time. In certain circumstances, various parties to the Investors' Rights Agreement will also be entitled to customary piggyback registration rights, in each case subject to certain limitations set forth in the Investors' Rights Agreement. In addition, the Investors' Rights Agreement provides that Valens will pay certain expenses relating to such registrations and indemnify the shareholders against certain liabilities. The rights granted under the Investors' Rights Agreement supersede any prior registration, qualification, or similar rights of the parties with respect to Valens securities, and all such prior agreements shall be terminated.

Loans Granted to Members of the Board of Directors or Executive Management

As of the date of this Annual Report, we have no outstanding loan or guarantee commitments to members of the board of directors or management.

Indemnification Agreements

We have entered into indemnification agreements with our directors and executive officers. See "Management—Exculpation, Insurance and Indemnification of Directors and Officers."

Other Related Party Transactions

As of December 31, 2025, there have been no further significant transactions with related parties out of the ordinary course of business other than as described in this section.

Approval of Related Party Transactions under Israeli Law

For a discussion of the approval of related party transactions under Israeli law, see "Management—Approval of Related Party Transactions under Israeli Law."

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18 of this Annual Report for consolidated financial statements and other financial information.

Legal Proceedings

From time to time, Valens may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. Valens is not currently a party to any legal proceedings, the outcome of which, if determined adversely to Valens, would individually or in the aggregate have a material effect on its business or financial condition.

B. SIGNIFICANT CHANGES

None.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

The Ordinary Shares and Warrants are listed on The New York Stock Exchange under the symbols “VLN” and “VLNW”, respectively.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

See “Part I, Item 9. The Offer and Listing—A. Offer and Listing Details.”

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

A copy of our Amended Articles is attached as Exhibit 1.1 to this Annual Report. 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.

Share Capital

As of December 31, 2025, we had 103,050,266 Ordinary Shares outstanding.

C. MATERIAL CONTRACTS

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

- Form of Indemnification Agreement. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Compensation Policy for Directors and Officers. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Valens Semiconductor Ltd. 2007 Option Plan. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Valens Semiconductor Ltd. 2012 Option Plan. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Valens Semiconductor Ltd. 2021 Share Incentive Plan. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Valens Semiconductor Ltd. 2021 Employee Stock Purchase Plan. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Board Nomination Agreement by and between the Company and Value Base Fund Limited Partnership, Value Base Fund Invest 1, Limited Partnership and Value Base Ltd. See Item 7 “Major Shareholders and Related Party Transactions – Part B. Related Party Transactions” for more information about this document.
- For more information concerning our material contracts, see “Part I, Item 4. Information on the Company” and “Part I, Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

Acroname Stock Purchase Agreement

On May 31, 2024, Valens (through its U.S subsidiary, Valens Semiconductor, Inc.) closed a stock purchase agreement (the “SPA”) by and between Valens Semiconductor, Inc. (“Valens, Inc.”), Acroname Inc. (“Acroname”), the shareholders of Acroname (the “Sellers”) and the Sellers Representatives (as defined in the SPA).

Pursuant to the SPA, Valens, Inc. acquired 100% of the issued and outstanding share capital of Acroname, for a purchase price of approximately \$7.8 million, plus Acroname’s cash at the closing of the SPA, which amounted to \$1.3 million, subject to customary post-closing adjustments for net working capital. Additionally, Valens, Inc. shall be obligated to pay the Sellers earn out payments of up to \$7.2 million, depending upon the achievement of certain revenue, EBITDA and cashflow targets in 2024 and 2025, and product development milestones as of June 2026. These earn out payments are expected to be paid during 2026, in case targets are met. Additional information on this purchase and earnout payments is available in Note 10 of the financial statements located elsewhere in this Annual Report on Form 20-F.

D. EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITYHOLDERS

Israeli law and regulations do not impose any material foreign exchange restrictions on non-Israeli holders of our Ordinary Shares and Warrants. There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our Ordinary Shares or the proceeds from the sale of the Ordinary Shares or Warrants, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions.

However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The ownership or voting of our Ordinary Shares and Warrants by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by our Amended Articles or by the laws of the State of Israel.

E. TAXATION

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

U.S. Federal Income Tax Treatment of Valens

Tax Residence of Valens for U.S. Federal Income Tax Purposes

Although Valens is incorporated and tax resident in Israel, the IRS may assert that it should be treated as a U.S. corporation (and therefore a U.S. tax resident) for U.S. federal income tax purposes pursuant to Section 7874 of the Code. For U.S. federal income tax purposes, a corporation is generally considered a U.S. “domestic” corporation (or U.S. tax resident) if it is organized in the United States, and a corporation is generally considered a “foreign” corporation (or non-U.S. tax resident) if it is not organized in the United States. Because Valens is an entity incorporated and tax resident in Israel, it would generally be classified as a foreign corporation (or non-U.S. tax resident) under these rules. However, Section 7874 of the Code provides an exception under which a foreign incorporated and foreign tax resident entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes.

Under Section 7874 of the Code, a corporation created or organized outside the United States (i.e., a foreign corporation) will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes when (i) the foreign corporation directly or indirectly acquires substantially all of the assets held directly or indirectly by a U.S. corporation (including the indirect acquisition of assets of the U.S. corporation by acquiring the outstanding shares of the U.S. corporation), (ii) the former shareholders of the acquired U.S. corporation hold or are treated as holding, by vote or value, at least 80% (or 60% where in a transaction related to the acquisition described in (i) above the foreign acquiring corporation acquires another foreign corporation, and after the transaction, the foreign acquiring corporation is not a tax resident in the jurisdiction in which the foreign acquired corporation was resident prior to the transaction, which should not be applicable to the Business Combination) of the shares of the foreign acquiring corporation after the acquisition by reason of holding shares in the U.S. acquired corporation (the “Section 7874 Percentage”), and (iii) the foreign corporation’s “expanded affiliated group” does not have substantial business activities in the foreign corporation’s country of tax residency relative to such expanded affiliated group’s worldwide activities (the “Substantial Business Activities Exception”). In order to satisfy the Substantial Business Activities Exception, at least 25% of the employees (by headcount and compensation), real and tangible assets and gross income of the foreign acquiring corporation’s “expanded affiliated group” must be based, located and derived, respectively, in the country in which the foreign acquiring corporation is a tax resident after the acquisition. The Treasury regulations promulgated under Section 7874 of the Code (the “Section 7874 Regulations”) provide for a number of special rules that aggregate multiple acquisitions of U.S. corporations for purposes of Section 7874 of the Code as part of a plan or conducted over a 36-month period. Certain acquisitions of U.S. corporations over a 36-month period will impact the Section 7874 Percentage, making it more likely that Section 7874 of the Code will apply to a foreign acquiring corporation. Moreover, former PTK securityholders will be deemed to own an amount of Valens Ordinary Shares in respect to certain redemptions by PTK of shares of PTK common stock prior to the Business Combination for purposes of determining the Section 7874 Percentage.

Valens has indirectly acquired substantially all of the assets of PTK as a result of the Business Combination. As such, Section 7874 of the Code may apply to cause Valens to be treated as a U.S. corporation for U.S. federal income tax purposes following the Business Combination depending on whether the Section 7874 Percentage equals or exceeds 80% or whether the Substantial Business Activities Exception is met.

Based upon the terms of the Business Combination, the rules for determining share ownership under Section 7874 of the Code and the Section 7874 Regulations, and certain factual assumptions, Valens believes that the Section 7874 Percentage of the PTK stockholders in Valens should have been less than 80% after the Business Combination. Accordingly, Valens is not expected to be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code. The calculation of the Section 7874 Percentage is complex and is subject to detailed regulations (the application of which is uncertain in various respects and would be impacted by changes in such Treasury regulations with possible retroactive effect) and is subject to certain factual uncertainties. Accordingly, there can be no assurance that the IRS will not challenge the status of Valens as a foreign corporation under Section 7874 of the Code or that such challenge would not be sustained by a court.

If the IRS were to successfully challenge, under Section 7874 of the Code, Valens’ status as a foreign corporation for U.S. federal income tax purposes, Valens and certain Valens shareholders generally would be subject to significant adverse tax consequences, including a higher effective corporate income tax rate on Valens and potential future withholding taxes on distributions to non-U.S. Valens shareholders, depending on the application of any income tax treaty that might apply to reduce such withholding taxes.

The remainder of this discussion assumes that Valens will not be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code.

Utilization of PTK’s Tax Attributes and Certain Other Adverse Tax Consequences to Valens and Valens’ Shareholders.

Following the acquisition of a U.S. corporation by a foreign corporation, such as in the Business Combination, Section 7874 of the Code can limit the ability of the acquired U.S. corporation and its U.S. affiliates to use U.S. tax attributes (including net operating losses and certain tax credits) to offset U.S. taxable income resulting from certain transactions, as well as result in certain other adverse tax consequences, even if the acquiring foreign corporation is respected as a foreign corporation for purposes of Section 7874 of the Code. Specifically, Section 7874 of the Code can apply in this manner if (i) the foreign corporation acquires, directly or indirectly, substantially all of the properties held directly or indirectly by a U.S. corporation, (ii) after the acquisition, the former shareholders of the acquired U.S. corporation hold or are treated as holding at least 60% (by vote or value) but less than 80% (by vote and value) of the shares of the foreign acquiring corporation by reason of holding shares in the acquired U.S. corporation, and (iii) the foreign corporation’s “expanded affiliated group” does not meet the Substantial Business Activities Exception.

Based upon the terms of the Business Combination, the rules for determining share ownership under Section 7874 of the Code and the Section 7874 Regulations, and certain factual assumptions, Valens currently believes that the Section 7874 Percentage should have been less than 60% after the Business Combination. Accordingly, the limitations and other rules described above and below are not expected to apply to Valens after the Business Combination.

If the Section 7874 Percentage applicable to the Business Combination is at least 60% but less than 80%, Valens and certain of Valens' shareholders may be subject to adverse tax consequences including, but not limited to, restrictions on the use of tax attributes with respect to "inversion gain" recognized over a 10-year period following the transaction, disqualification of dividends paid from preferential "qualified dividend income" rates and the requirement that any U.S. corporation owned by Valens include as "base erosion payments" that may be subject to a minimum U.S. federal income tax any amounts treated as reductions in gross income paid to certain related foreign persons. Furthermore, certain "disqualified individuals" (including officers and directors of a U.S. corporation) may be subject to an excise tax on certain stock-based compensation held thereby at a rate of 20%. PTK did not have tax attributes to offset any inversion gain which might exist, regardless of whether PTK had any amount of inversion gain. However, as a blank check company whose assets are primarily comprised of cash and cash equivalents, Valens does not believe that PTK had a significant amount of inversion gain as a result of the Business Combination. Moreover, if it is determined that the Section 7874 Percentage is at least 60% (but less than 80%) and that Valens is tax resident in a jurisdiction other than Israel, Valens would be treated as a U.S. corporation under Section 7874 of the Code in the same manner as described above under "*Tax Residence of Valens for U.S. Federal Income Tax Purposes.*"

The determination that the Section 7874 Percentage applicable to the Business Combination should have been less than 60%, however, is subject to detailed Treasury regulations (the application of which is uncertain in various respects and would be impacted by future changes in such Treasury regulations, with possible retroactive effect) and is subject to certain uncertainties. There can be no assurance that the IRS will not challenge whether Valens is subject to the above rules or that such a challenge would not be sustained by a court. If the IRS successfully applied these rules to Valens, significant adverse tax consequences would result for Valens and for certain Valens' shareholders, including a higher effective corporate tax rate on Valens.

The remainder of this discussion assumes that the limitations and other rules described above do not apply to Valens after the Business Combination.

U.S. Federal Income Tax Considerations of Ownership and Disposition of Valens Ordinary Shares and Valens

The following discussion is a summary of the material U.S. federal income tax considerations for U.S. Holders (as defined below) concerning the ownership and disposition of Valens Ordinary Shares and Valens warrants. This discussion applies only to Valens Ordinary Shares and Valens warrants, as the case may be, that are held as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment).

The following does not purport to be a complete analysis of all potential tax considerations arising in connection with the ownership and disposition of Valens Ordinary Shares and Valens warrants. The effects of and consequences under other U.S. federal tax laws, such as estate and gift tax laws, any minimum tax or Medicare contribution tax consequences and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the Code, Treasury regulations promulgated thereunder, judicial decisions, published rulings and administrative pronouncements of the U.S. Internal Revenue Services (the "IRS") and the income tax treaty between the United States and Israel (the "Treaty"), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect the tax consequences discussed below. Valens has not sought and will seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS will not take, or a court will not sustain, a contrary position to that discussed below regarding the tax consequences discussed below.

This discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- banks, insurance companies, and certain other financial institutions;
- regulated investment companies and real estate investment trusts;
- dealers or traders in securities that use a mark to market method of accounting for U.S. federal income tax purposes;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- persons holding Valens Ordinary Shares and/or Valens warrants as part of a straddle, integrated or similar transaction;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to Valens Ordinary Shares and/or Valens warrants, as the case may be, being taken into account in an applicable financial statement;
- persons that actually or constructively own 10% or more (by vote or value) of the outstanding Valens Ordinary Shares;
- persons holding Valens Ordinary Shares or Valens warrants in connection with a trade or business outside the United States.
- an entity or arrangement treated as a partnership for U.S. federal income tax purposes (and investors therein);

- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar; and
- persons who hold or received Valens Ordinary Shares and/or Valens warrants, as the case may be, pursuant to the exercise of any employee stock option or otherwise as compensation.

For purposes of this discussion, a “U.S. Holder” is, for U.S. federal income tax purposes, any beneficial owner of Valens Ordinary Shares or Valens warrants, that is:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income tax regardless of its source.

If an entity that is treated as a partnership for U.S. federal income tax purposes holds Valens Ordinary Shares or Valens warrants, the tax treatment of a partner in such partnership will depend on the status of the partner and the activities of the partnership. Accordingly, partnerships owning Valens Ordinary Shares or Valens warrants and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them of owning and disposing of Valens Ordinary Shares or Valens warrants.

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, AND LOCAL, AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES TO YOU, IN LIGHT OF YOUR PARTICULAR INVESTMENT OR TAX CIRCUMSTANCES, OF OWNING AND DISPOSING OF VALENS ORDINARY SHARES AND VALENS WARRANTS.

Distributions on Valens Ordinary Shares

If Valens makes distributions of cash or property on Valens Ordinary Shares, such distributions will be treated for U.S. federal income tax purposes first as a dividend to the extent of Valens current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), and then as a tax-free return of capital to the extent of the U.S. Holder’s tax basis, with any excess treated as capital gain from the sale or exchange of the shares. As Valens does not calculate its earnings and profits under U.S. federal income tax principles, a U.S. Holder should expect all cash distributions to be reported as dividends for U.S. federal income tax purposes. Any dividend will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations.

Subject to the discussions above under “—Utilization of PTK’s Tax Attributes and Certain Other Adverse Tax Consequences to Valens and Valens’ Shareholders” and below under “—Passive Foreign Investment Company Rules,” dividends received by certain non-corporate U.S. Holders (including individuals) may be “qualified dividend income,” which is taxed at the lower applicable capital gains rate, provided that:

- either (a) the Ordinary Shares are readily tradable on an established securities market in the United States (such as the NYSE, where Valens Ordinary Shares are listed), or (b) Valens is eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program;
- Valens is neither a PFIC (as discussed below under below under “—Passive Foreign Investment Company Rules”) nor treated as such with respect to the U.S. Holder for Valens’ taxable year in which the dividend is paid or the preceding taxable year;
- the U.S. Holder satisfies certain holding period requirements; and
- the U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property.

There can be no assurances that Valens will be eligible for the benefits of the Treaty. Furthermore, Valens will not constitute a “qualified foreign corporation” for purposes of these rules if it is a PFIC for its taxable year in which it pays a dividend or for the preceding taxable year. See “—Passive Foreign Investment Company Rules.” U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for dividends paid with respect to Valens Ordinary Shares.

The amount of any dividend distribution paid in foreign currency will be the U.S. dollar amount calculated by reference to the applicable exchange rate in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Dividends paid by a non-U.S. corporation are generally treated as foreign source income for foreign tax credit limitation purposes. However, if Valens is a “United States-owned foreign corporation,” subject to certain exceptions the portion of any dividend payments allocable to Valens’ U.S.-source earnings and profits may be re-characterized as U.S. source for foreign tax credit purposes. A “United States owned foreign corporation” is any foreign corporation in which United States persons own, directly or indirectly, 50% or more of the stock (by vote or by value).

For U.S. federal income tax purposes, the amount of dividend income will include any amounts withheld in respect of any Israeli taxes. Israeli taxes withheld from dividend payments (at a rate not exceeding any applicable rate provided by the Treaty in the case of a U.S. Holder eligible for Treaty benefits) generally will be creditable against the U.S. Holder's U.S. federal income tax liability. If such dividends are qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by a fraction, the numerator of which is the reduced rate applicable to qualified dividend income and the denominator of which is the highest rate of tax normally applicable to dividends. The limitation on non-U.S. taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by Valens with respect to Valens Ordinary Shares generally will constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income." The rules governing the treatment of foreign tax credits are complex. For example, Treasury regulations provide that, in the absence of an election to apply the benefits of an applicable income tax treaty, in order for foreign taxes to be creditable the relevant foreign income tax rules must be consistent with certain U.S. federal income tax principles, and we have not determined whether the Israeli income tax system meets these requirements. However, the IRS has released notices that provide relief from certain of the provisions of the Treasury regulations described above for taxable years ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance). U.S. Holders should consult their tax advisors about the impact of these rules in their particular situation. In lieu of claiming a foreign tax credit, U.S. Holders may elect to deduct non-U.S. taxes (including Israeli taxes) in computing their taxable income, subject to applicable limitations. An election to deduct creditable non-U.S. taxes instead of claiming foreign tax credits applies to all such non-U.S. taxes paid or accrued in the taxable year.

Sale, Exchange, Redemption or Other Taxable Disposition of Valens Ordinary Shares and Valens Warrants

Subject to the discussion below under "*Passive Foreign Investment Company Rules*," a U.S. Holder generally will recognize gain or loss on any sale, exchange, redemption or other taxable disposition of Valens Ordinary Shares or Valens warrants in an amount equal to the difference between (i) the amount realized on the disposition and (ii) such U.S. Holder's adjusted tax basis in such Valens Ordinary Shares or Valens warrants. Any gain or loss recognized by a U.S. Holder on a taxable disposition of Valens Ordinary Shares or Valens warrants generally will be capital gain or loss. A non-corporate U.S. Holder, including an individual, who has held Valens Ordinary Shares or Valens warrants for more than one year generally will be eligible for reduced tax rates for such long-term capital gains. The deductibility of capital losses is subject to limitations.

Any such gain or loss recognized generally will be treated as U.S. source gain or loss for foreign tax credit purposes. Israeli taxes imposed on gain from the sale or other disposition of Valens Ordinary Shares or Valens warrants generally will not be creditable against a U.S. Holder's U.S. federal income tax liability. However, such Israeli taxes, if any, may be deductible or reduce the amount realized upon a sale or disposition. U.S. Holders should consult their tax advisers regarding the consequences of any Israeli taxes imposed on a sale or other disposition of Valens Ordinary Shares or Valens warrants.

Exercise or Lapse of a Valens Warrant

Except as discussed below with respect to the cashless exercise of a Valens warrant, a U.S. Holder generally will not recognize gain or loss upon the acquisition of a Valens Ordinary Share on the exercise of a Valens warrant for cash. A U.S. Holder's tax basis in Valens Ordinary Shares received upon exercise of a Valens warrant generally should be an amount equal to the sum of the U.S. Holder's tax basis in the Valens warrant exercised and the exercise price. The U.S. Holder's holding period for a Valens Ordinary Share received upon exercise of a Valens warrant will generally begin on the date following the date of exercise (or possibly the date of exercise) of the Valens warrant and will not include the period during which the U.S. Holder held the Valens warrant. If a Valens warrant is allowed to lapse unexercised, a U.S. Holder that has otherwise received no proceeds with respect to such Valens warrant generally will recognize a capital loss equal to such U.S. Holder's tax basis in the Valens warrant. The tax consequences of a cashless exercise of a Valens warrant are not clear under current U.S. federal income tax law. A cashless exercise may be tax-deferred, either because the exercise is not a realization event or because the exercise is treated as a recapitalization for U.S. federal income tax purposes. In either situation, a U.S. Holder's basis in Valens Ordinary Shares received would generally equal the U.S. Holder's basis in the Valens warrants exercised for such shares. If the cashless exercise is not treated as a realization event, a U.S. Holder's holding period in Valens Ordinary Shares would generally be treated as commencing on the date following the date of exercise (or possibly the date of exercise) of the Valens warrants. If the cashless exercise were treated as a recapitalization, the holding period of Valens Ordinary Shares would generally include the holding period of the Valens warrants exercised therefor.

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

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

Possible Constructive Distributions

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

Passive Foreign Investment Company Rules

The treatment of U.S. Holders of Valens Ordinary Shares or Valens warrants could be materially different from that described above if Valens is a PFIC for U.S. federal income tax purposes. A non-U.S. entity treated as a corporation for U.S. federal income tax purposes generally will be a PFIC for U.S. federal income tax purposes for any taxable year if either:

- at least 75% of its gross income for such year is passive income; or
- at least 50% of the value of its assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (including cash).

For this purpose, Valens will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other entity treated as a corporation for U.S. federal income tax purposes in which Valens owns, directly or indirectly, 25% or more (by value) of the stock. Passive income generally includes dividends, interest, rents, royalties and capital gains. Goodwill and other intangibles are generally treated as active assets to the extent associated with business activities that produce active income.

Although Valens has not obtained independent valuations of its assets (including goodwill and other intangibles) for its taxable year ending 2025, and thus is not in a position to make a definitive determination as to whether it was a PFIC in 2025, based on the composition of its income and assets during 2025 and the estimated value of its assets (which is based on its average market capitalization during 2025), Valens believes that it was not a PFIC for 2025. However, there can be no assurances in this regard. The application of the PFIC rules is subject to uncertainty in several respects, and Valens cannot assure you that the IRS will not take a contrary position or that a court will not sustain such a challenge by the IRS. Furthermore, because of the volatility of Valens' market capitalization in recent years, whether Valens will be a PFIC for 2026 and future taxable years is uncertain. The determination of whether Valens is a PFIC is an annual factual determination that depends on, among other things, the composition of Valens' income and assets, and the value of its and its subsidiaries' shares and assets from time to time (including the value of Valens' goodwill and other intangibles, which may be determined, in large part, by reference to the market price of Valens Ordinary Shares from time to time, which has been, and may continue to be, volatile). As a result, the average value of Valens' goodwill and other intangibles as well as other active assets may not be sufficiently large in relation to the average value of its passive assets for any taxable year. In particular, because the value of Valens' goodwill and other intangibles may be determined by reference to the market price of Valens Ordinary Shares from time to time, and because Valens holds and may continue to hold significant amounts of cash and other passive assets, if Valens' market capitalization continues to fluctuate or declines, then there is a significant risk that Valens may be a PFIC for 2026.

Under the PFIC rules, if Valens is a PFIC at any time that a U.S. Holder owns Valens Ordinary Shares or Valens warrants, Valens will continue to be treated as a PFIC with respect to such investment unless (i) it ceases to be a PFIC and (ii) the U.S. Holder makes a "deemed sale" election under the PFIC rules. If such election is made, a U.S. Holder will be deemed to have sold its Valens Ordinary Shares and/or Valens warrants at their fair market value on the last day of the last taxable year in which Valens is classified as a PFIC, and any gain from such deemed sale would be subject to the consequences described below, but any loss would not be recognized. After the deemed sale election, Valens Ordinary Shares or Valens warrants with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless Valens subsequently becomes a PFIC.

For each taxable year that Valens is treated as a PFIC with respect to a U.S. Holder's Valens Ordinary Shares or Valens warrants, the U.S. Holder will be subject to special tax rules with respect to any "excess distribution" (as defined below) received and any gain realized from a sale or disposition (including a pledge) of its Valens Ordinary Shares (collectively the "Excess Distribution Rules"), unless the U.S. Holder makes a valid QEF election or mark-to-market election as discussed below. Distributions received by a U.S. Holder in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder's holding period for Valens Ordinary Shares will be treated as excess distributions.

Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for Valens Ordinary Shares;
- the amount allocated to the current taxable year, and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which Valens is a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

Under the Excess Distribution Rules, the tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses, and gains (but not losses) realized on the sale of Valens Ordinary Shares or Valens warrants cannot be treated as capital gains, even though the U.S. Holder holds Valens Ordinary Shares or Valens warrants as capital assets.

Certain of the PFIC rules may impact U.S. Holders with respect to equity interests in subsidiaries and other entities which Valens may hold, directly or indirectly, that are PFICs (collectively, “Lower-Tier PFICs”) if Valens is treated as a PFIC. There can be no assurance, however, that Valens does not own, or will not in the future acquire, an interest in a subsidiary or other entity that is or would be treated as a Lower-Tier PFIC. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to any of Valens’ subsidiaries.

If Valens is a PFIC, a U.S. Holder of Valens Ordinary Shares (but not Valens warrants) may avoid taxation under the Excess Distribution Rules described above by making a “qualified electing fund” (“QEF”) election. However, a U.S. Holder may make a QEF election with respect to its Valens Ordinary Shares only if Valens provides its U.S. Holders on an annual basis with certain financial information specified under applicable U.S. Treasury regulations. At the request (and sole cost) of any U.S. Holders, Valens will endeavor to provide the required information on an annual basis to allow U.S. Holders to make a QEF election with respect to the Valens Ordinary Shares in the event Valens is treated as a PFIC for any taxable year. There can be no assurance, however, that Valens will timely provide such information for the current year or subsequent years. The failure to provide such information on an annual basis could prevent a U.S. Holder from making a QEF election or result in the invalidation or termination of a U.S. Holder’s prior QEF election. In addition, U.S. Holders of Valens warrants will not be able to make a QEF election with respect to their warrants.

In the event Valens is a PFIC, a U.S. Holder that makes a QEF election with respect to its Valens Ordinary Shares would generally be required to include in income for each year that Valens is treated as a PFIC the U.S. Holder’s pro rata share of Valens’ ordinary earnings for the year (which would be subject to tax as ordinary income) and net capital gains for the year (which would be subject to tax at the rates applicable to long-term capital gains), without regard to the amount of any distributions made in respect of Valens Ordinary Shares. Any net deficits or net capital losses of Valens for a taxable year would not be passed through and included on the tax return of the U.S. Holder, however. A U.S. Holder’s basis in Valens Ordinary Shares would be increased by the amount of income inclusions under the qualified electing fund rules. Dividends actually paid on Valens Ordinary Shares generally would not be subject to U.S. federal income tax to the extent of prior income inclusions and would reduce the U.S. Holder’s basis in Valens Ordinary Shares by a corresponding amount.

If Valens owns any interests in a Lower-Tier PFIC, a U.S. Holder generally must make a separate QEF election for each Lower-Tier PFIC, subject to Valens’ providing the relevant tax information for each Lower-Tier PFIC on an annual basis.

If a U.S. Holder does not make a QEF election (or a mark-to-market election, as discussed below) effective from the first taxable year of a U.S. Holder’s holding period for Valens Ordinary Shares in which Valens is a PFIC, then Valens Ordinary Shares will generally continue to be treated as an interest in a PFIC, and the U.S. Holder generally will remain subject to the Excess Distribution Rules. A U.S. Holder that first makes a QEF election in a later year may avoid the continued application of the Excess Distribution Rules to its Valens Ordinary Shares by making a “deemed sale” election. In that case, the U.S. Holder will be deemed to have sold Valens Ordinary Shares at their fair market value on the first day of the taxable year in which the QEF election becomes effective, and any gain from such deemed sale would be subject to the Excess Distribution Rules described above. A U.S. Holder that is eligible to make a QEF election with respect to its Valens Ordinary Shares generally may do so by providing the appropriate information to the IRS in the U.S. Holder’s timely filed tax return for the year in which the election becomes effective.

U.S. Holders should consult their own tax advisors as to the availability and desirability of a QEF election in case Valens is a PFIC for any taxable year.

Alternatively, a U.S. Holder of “marketable stock” (as defined below) may make a mark-to-market election for its Valens Ordinary Shares to elect out of the Excess Distribution Rules discussed above if Valens is treated as a PFIC. If a U.S. Holder makes a mark-to-market election with respect to its Valens Ordinary Shares, such U.S. Holder will include in income for each year that Valens is treated as a PFIC with respect to such Valens Ordinary Shares an amount equal to the excess, if any, of the fair market value of Valens Ordinary Shares as of the close of the U.S. Holder’s taxable year over the adjusted basis in Valens Ordinary Shares. A U.S. Holder will be allowed a deduction for the excess, if any, of the adjusted basis of Valens Ordinary Shares over their fair market value as of the close of the taxable year. However, deductions will be allowed only to the extent of any net mark-to-market gains on Valens Ordinary Shares included in the U.S. Holder’s income for prior taxable years. Amounts included in income under a mark-to-market election, as well as gain on the actual sale or other disposition of Valens Ordinary Shares, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on Valens Ordinary Shares, as well as to any loss realized on the actual sale or disposition of Valens Ordinary Shares, to the extent the amount of such loss does not exceed the net mark-to-market gains for such Valens Ordinary Shares previously included in income. A U.S. Holder’s basis in Valens Ordinary Shares will be adjusted to reflect any mark-to-market income or loss. If a U.S. Holder makes a mark-to-market election, any distributions Valens makes would generally be subject to the rules discussed above under “—Distributions on Valens Ordinary Shares,” except the lower rates applicable to qualified dividend income would not apply. U.S. Holders of Valens warrants will not be able to make a mark-to-market election with respect to their Valens warrants.

The mark-to-market election is available only for “marketable stock,” which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Valens Ordinary Shares, which are listed on the NYSE, are expected to qualify as marketable stock for purposes of the PFIC rules, but there can be no assurance that Valens Ordinary Shares will be “regularly traded” for purposes of these rules. Because a mark-to-market election cannot be made for equity interests in any Lower-Tier PFICs the shares of which are not “marketable stock”, a U.S. Holder that does not make the applicable QEF elections generally will continue to be subject to the Excess Distribution Rules with respect to its indirect interest in any Lower-Tier PFICs as described above, even if a mark-to-market election is made for Valens.

If a U.S. Holder does not make a mark-to-market election (or a QEF election, as discussed above) effective from the first taxable year of a U.S. Holder's holding period for Valens Ordinary Shares in which Valens is a PFIC, then the U.S. Holder generally will remain subject to the Excess Distribution Rules. A U.S. Holder that first makes a mark-to-market election with respect to Valens Ordinary Shares in a later year will continue to be subject to the Excess Distribution Rules during the taxable year for which the mark-to-market election becomes effective, including with respect to any mark-to-market gain recognized at the end of that year. In subsequent years for which a valid mark-to-market election remains in effect, the Excess Distribution Rules generally will not apply. A U.S. Holder that is eligible to make a mark-to-market with respect to its Valens Ordinary Shares may do so by providing the appropriate information on IRS Form 8621 and timely filing that form with the U.S. Holder's tax return for the year in which the election becomes effective. U.S. Holders should consult their own tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any Lower-Tier PFICs.

A U.S. Holder of a PFIC may be required to file an IRS Form 8621 on an annual basis. U.S. Holders should consult their own tax advisors regarding any reporting requirements that may apply to them if Valens is a PFIC.

U.S. Holders are strongly encouraged to consult their tax advisors regarding the application of the PFIC rules to their particular circumstances.

Foreign Account Tax Compliance Provisions of the HIRE Act

The United States Foreign Account Tax Compliance provisions of the HIRE Act, commonly known as "FATCA", impose a reporting regime and, potentially, a 30% withholding tax on certain payments made to certain non-U.S. financial institutions and non-financial institutions that fail to comply with certain information reporting, account identification, withholding, certification and other FATCA related requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. To avoid becoming subject to FATCA withholding, Valens may be required to report information to the IRS regarding the holders of Valens Ordinary Shares and to withhold on a portion of payments with respect to its Ordinary Shares to certain holders that fail to comply with the relevant information reporting requirements (or that hold our Ordinary Shares directly or indirectly through certain non-compliant intermediaries). This withholding tax made with respect to Valens Ordinary Shares will not apply to payments made before the date that is two years after the date of publication of final regulations defining the term "foreign passthrough payment".

An intergovernmental agreement between the United States and another country may also modify these requirements. FATCA is particularly complex and its application is uncertain at this time. Holders of Valens Ordinary Shares should consult their tax advisors to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each holder in its particular circumstances.

Information Reporting and Backup Withholding

Information reporting requirements may apply to dividends received by U.S. Holders of Valens Ordinary Shares and the proceeds received on sale or other taxable disposition of Valens Ordinary Shares or Valens warrants effected within the United States (and, in certain cases, outside the United States), in each case other than U.S. Holders that are exempt recipients (such as corporations). Backup withholding (currently at a rate of 24%) may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number (generally on an IRS Form W-9 provided to the paying agent of the U.S. Holder's broker) or is otherwise subject to backup withholding. Any redemptions treated as dividend payments with respect to Valens Ordinary Shares and proceeds from the sale, exchange, redemption or other disposition of Valens Ordinary Shares or Valens warrants may be subject to information reporting to the IRS and possible U.S. backup withholding. U.S. Holders should consult their own tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding generally may be credited against the taxpayer's U.S. federal income tax liability, and a taxpayer may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for a refund with the IRS and furnishing any required information.

MATERIAL ISRAELI TAX CONSIDERATIONS

Israeli tax considerations

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

General corporate tax structure in Israel

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

Law for the Encouragement of Industry (Taxes), 5729-1969

The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for “Industrial Companies”.

The Industry Encouragement Law defines an “Industrial Company” as an Israeli resident-company, incorporated in Israel, of which 90% or more of its income in any tax year, other than income from certain defense loans, is derived from an “Industrial Enterprise” owned by it and located in Israel or in the “Area”, in accordance with the definition under section 3A of the Israeli Income Tax Ordinance (New Version) 1961, or the “Ordinance”. An “Industrial Enterprise” is defined as an enterprise which is held by an Industrial Company whose principal activity in a given tax year is industrial production.

Following are the main tax benefits available to Industrial Companies:

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

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

Tax benefits and grants for research and development

Israeli tax law allows, under certain conditions, a tax deduction for expenditures, including capital expenditures, 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.

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

Every year, we may apply to the Israel Innovation Authority of the Israeli Ministry of Economy and Industry (formerly known as Office of Chief Scientist) (“IIA”) for approval to allow a tax deduction for all or most of research and development expenses during the year incurred. There can be no assurance that such application, if made, will be accepted. If we are not able to deduct research and development expenses during the year they were incurred, we will be able to deduct research and development expenses during a period of three years commencing in the year of the payment of such expenses.

Law for the Encouragement of Capital Investments, 5719-1959

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

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

The following discussion is a summary of the Investment Law following its most recent amendments:

Tax benefits under the 2011 amendment that became effective on January 1, 2011

The 2011 Amendment canceled the availability of the benefits granted to Industrial Companies under the Investment Law prior to 2011 and, instead, introduced new benefits for income generated by a “Preferred Company” through its “Preferred Enterprise” (as such terms are defined in the Investment Law) as of January 1, 2011. The definition of a Preferred Company includes a company incorporated in Israel that is not fully owned by a governmental entity, and that has, among other things, Preferred Enterprise status and is controlled and managed from Israel.

Pursuant to the 2011 Amendment, a Preferred Company was entitled to a reduced corporate tax rate of 15% with respect to its income derived by its Preferred Enterprise in 2011 and 2012, unless the Preferred Enterprise was located in a specified development zone, in which case the rate will be 10%. Under the 2011 Amendment, such corporate tax rate was reduced from 15% and 10%, respectively, to 12.5% and 7%, respectively, in 2013, 16% and 9% respectively, in 2014, 2015 and 2016, and 16% and 7.5%, respectively, in 2017 and thereafter. Income derived by a Preferred Company from a “Special Preferred Enterprise” (as such term is defined in the Investment Law) would be entitled, during a benefits period of 10 years, to further reduced tax rates of 8%, or 5% if the Special Preferred Enterprise is located in a certain development zone. Since January 1, 2017, the definition for “Special Preferred Enterprise” includes less stringent conditions.

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

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

As of December 31, 2025, Valens did not apply the new benefits under the Preferred Enterprise regime.

New tax benefits under an amendment that became effective on January 1, 2017

The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and is effective as of January 1, 2017. The 2017 Amendment provides new tax benefits for two types of “Technological Enterprises”, as described below, and is in addition to the other existing tax beneficial programs under the Investment Law. The 2017 Amendment will apply to a Preferred Company which meets the “Preferred Enterprise” condition and certain additional conditions, including, all the following:

- the company’s average R&D expenses in the three years prior to the current tax year must be greater than or equal to the average of 7% of its total revenue or exceed NIS 75 million per year; and

- the company must also satisfy one of the following conditions: (1) the full salary of the lowest between at least 20% of the company's overall workforce, or at least 200 employees, was recorded and paid as R&D expenses in the company's financial statements; (2) a venture capital investment of an amount of at least NIS 8 million was previously made in the company; or (3) a growth in sales by an average of 25% over the three years preceding the tax year (provided transactions revenue of over NIS 10 million for the said years); (4) a growth in workforce by an average of 25% over the three years preceding the tax year (provided that the company employed at least 50 employees in the said years).

A Preferred Company satisfying certain conditions (including the conditions as stated above) will qualify as a "Preferred Technological Enterprise" and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as "Preferred Technology 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 Enterprise 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 Preferred Company satisfying certain conditions (group-consolidated revenues 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 the 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 to Israeli shareholders by a Preferred Technological Enterprise or a Special Preferred Technological Enterprise to Israeli shareholders, paid out of Preferred Technological Income, are generally subject to withholding tax at source at the rate of 20% (in case of non-Israeli shareholders—subject to the receipt in advance of a valid certificate from the ITA allowing for the 20% reduced tax, 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 that holds solely or together with other foreign companies 90% or more in the Israeli company and other conditions are met, the withholding tax rate will be 4% (or a lower rate under an applicable tax treaty, and subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate). Please note that the reduced withholding tax rate of 4% will apply only on profits generated after the Preferred Technological Enterprise was acquired by a foreign company.

As of December 31, 2025, Valens did not apply for a tax ruling from the Israeli Tax Authority or implemented benefits under The Preferred Technological Enterprise regime.

From time to time, the Israeli Government has discussed reducing the benefits available to companies under the Investment Law. The termination or substantial reduction of any of the benefits available under the Investment Law could materially increase our tax liabilities.

Taxation of our shareholders and warrant holders

Capital gains taxes applicable to non-Israeli resident shareholders and warrant holders.

Israeli capital gains tax is imposed on the disposition of capital assets by a non-Israeli resident if those assets (i) are located in Israel, (ii) are shares or a right to shares (e.g., Valens warrants) in an Israeli resident corporation or (iii) represent, directly or indirectly, rights to assets located in Israel, unless a tax treaty between Israel and the seller's country of residence provides otherwise. The Israeli tax law distinguishes between "Real Capital Gain" and "Inflationary Surplus." Inflationary Surplus is a portion of the total capital gain which is equivalent to the increase in the relevant asset's price that is attributable to the increase in the Israeli Consumer Price Index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of disposition. Inflationary Surplus is currently not subject to tax in Israel. Real Capital Gain is the excess of the total capital gain over the Inflationary Surplus.

Generally, Real Capital Gain accrued by individuals on the sale of Valens Ordinary Shares or warrants will be taxed at the rate of 25%. However, if the shareholder is a "substantial shareholder" at the time of sale or at any time during the preceding 12-month period (or claims a deduction for interest and linkage differences expenses in connection with the purchase and holding of such shares), such gain will be taxed at the rate of 30%. A "substantial shareholder" is generally a person who alone or together with such person's relative or another person who collaborates with such person with respect to the material matters of the corporation on a permanent basis pursuant to an agreement, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. Real Capital Gain derived by corporations will be generally subject to a corporate tax rate of 23% (in 2025).

A non-Israeli resident that derives capital gains from the sale of shares or a right to shares of an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel, will be exempt from Israeli tax if the capital gains derived from the sale of the shares or right to shares were not attributed to a fixed enterprise that the non-resident maintains in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) hold, whether directly or indirectly, more than 25% of the means of control, as such term is defined above, in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. In addition, such exemption is not applicable to a person whose gains from selling or otherwise disposing of the shares or right to shares are deemed to be business income.

Additionally, a sale of securities by a non-Israeli resident maybe exempted 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 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 (the “United States Israel Tax Treaty”), the sale, exchange or other disposition of shares or a right to shares by a shareholder who is a United States resident (for purposes of the United States-Israel Tax Treaty) holding the shares as a capital asset and is entitled to claim the benefits afforded to such a resident by the United States-Israel Tax Treaty (a “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 in Israel, under certain terms; (iv) such 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 disposition, subject to certain conditions; or (v) such U.S. Resident is an individual and was present in Israel for 183 days or more during the relevant taxable year. In any such case, the sale, exchange or disposition of such shares or a right to shares would be subject to Israeli tax, to the extent applicable; however, under the United States-Israel Tax Treaty, a U.S. Resident would be permitted to claim a credit for such taxes against the U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations under U.S. law applicable to foreign tax credits. The United States-Israel Tax Treaty does not relate to tax credits against 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 or warrants, the payment of the consideration may be subject to the withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale (i.e., resident certificate or other documentation).

Capital gains taxes applicable to Israeli resident shareholders and warrant holders.

An Israeli resident corporation that derives capital gains from the sale of shares or a right to shares in an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel will generally be subject to tax on the real capital gains generated on such sale at the corporate tax rate of 23%. An Israeli resident individual will generally be subject to capital gain tax at the rate of 25%. However, if the individual shareholder claims deduction of interest expenditures or is a “substantial shareholder” at the time of the sale or at any time during the preceding twelve months period, such gain will be taxed at the rate of 30%. Individual holders dealing in securities in Israel for whom the income from the sale of securities is considered “business income” as defined in section 2(1) of the Ordinance are taxed at the marginal tax rates applicable to business income (up to 47% in 2024 and 2025, not including Surtax). Certain Israeli institutions who are exempt from tax under section 9(2) or section 129(C)(a)(1) of the Ordinance (such as exempt trust fund, pension fund) may be exempt from capital gains tax from the sale of the shares or a right to shares. With respect to corporate investors, capital gain tax equal to the corporate tax rate (23% starting in 2018) will be imposed on the sale of our traded shares or warrants, unless contrary provisions in a relevant tax treaty applies.

A Company Warrant generally should not recognize gain or loss upon the exercise of such warrant, if the warrant was purchased or received in return for an investment. An Ordinary Share acquired pursuant to the exercise of such warrant for cash generally will have a tax basis equal to the holder’s tax basis in the Company Warrant, if any, increased by the amount paid to exercise the Company Warrant. The holding period of such Ordinary Share generally would begin on the day after the date of exercise of the warrant. If a Company Warrant is allowed to lapse unexercised, the holder generally will recognize a capital loss equal to such holder’s tax basis in the warrant.

It is possible that a cashless exercise would be treated as a taxable exchange in which gain or loss is recognized. In such event, a holder could be deemed to have surrendered a number of warrants with a fair market value equal to the exercise price for the number of warrants deemed exercised. For this purpose, the number of warrants deemed exercised would be equal to the number of warrants that would entitle the holder to receive upon exercise the number of Ordinary Shares issued pursuant to the cashless exercise of the warrants. In this situation, the holder would recognize capital gain or loss in an amount equal to the difference between the fair market value of the warrants deemed surrendered to pay the exercise price and the holder’s tax basis in the warrants deemed surrendered which will be taxable to the holders of such Ordinary Shares as described under “—Taxation of our shareholders and warrant holders.”

Taxation of Israeli shareholders on receipt of dividends.

An Israeli resident individual is generally subject to Israeli income tax on the receipt of dividends at the rate of 25%. With respect to a person who is a “substantial shareholder” at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. Such dividends are generally subject to Israeli withholding tax at a rate of 25% if 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 or a Preferred Technological Enterprise. If the recipient of the dividend is an Israeli resident corporation such dividend income will be exempt from tax provided the income from which such dividend is distributed was derived or accrued within Israel and was received directly or indirectly from another corporation that is liable to Israeli corporate tax. An exempt trust fund, pension fund or other entity that is exempt from tax under section 9(2) or section 129(C)(a)(1) of the Israeli Tax Ordinance is exempt from tax on dividend.

Taxation of non-Israeli shareholders on receipt of dividends.

Non-Israeli residents (either individuals or corporations) are generally subject to Israeli income tax on the receipt of dividends at the rate of 25%, which tax will be withheld at source, unless relief is provided in a treaty between Israel and the shareholder’s country of residence. With respect to a person who is a “substantial shareholder” at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. Such dividends are generally subject to Israeli withholding tax at a rate of 25% if 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 or a Technological Enterprise, and 4% if the dividend is distributed from income attributed to a Technological Enterprise to a foreign company that holds solely or together with other foreign companies 90% or more in the Israeli company and other conditions are met, (please note that the reduced withholding tax rate of 4% will apply only on profits generated after the Preferred Technological Enterprise was acquired by a foreign company), unless a reduced rate is provided under an applicable tax treaty (the reduced rates stated in this paragraph are subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for such reduced tax rates). 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 U.S. Resident is 25%. However, generally, the maximum rate of withholding tax on dividends, not generated by a Preferred Enterprise, Beneficiary Enterprise, a Preferred Enterprise or a Technological 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. Notwithstanding the foregoing, dividends distributed from income attributed to an Approved Enterprise, Beneficiary Enterprise, Preferred Enterprise or a Preferred Technological Enterprise are not entitled to such reduced rate under the tax treaty but are subject to a withholding tax rate of 15% for a shareholder that is a U.S. corporation, provided that the condition related to our gross income for the previous year (as set forth in the previous sentence) is met. If the dividend is attributable partly to income derived from an Approved Enterprise, Benefited Enterprise, Preferred Enterprise or a Preferred Technological Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders’ tax liability. Application for the reduced tax rate requires appropriate documentation presented and specific instruction received from the Israeli Tax Authorities to the extent tax is withheld at source at the maximum rates (see above), a qualified tax treaty recipient will be required to comply with certain administrative procedures with the Israeli Tax Authorities in order to receive a refund of the excess tax withheld.

A foreign resident receiving dividend income from an Israeli company, from which the full tax was deducted, will generally be exempt from filing a tax return in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed, and (iii) the taxpayer is not obligated to pay Surtax (see below) in accordance with section 121B of the Ordinance.

Israeli Tax Withholding

In addition to all of the above, any payment made by an Israeli resident company may be subject to Israeli withholding tax, regardless of whether the recipient should be subject to Israeli tax with respect to the receipt of such payment, unless the recipient provides the company with a valid certificate issued by the Israel Tax Authority to exempt the recipient from such withholding tax liability.

Surtax

Subject to the provisions of an applicable tax treaty, individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at a rate of 3% on annual income (including, but not limited to, dividends, interest and capital gain) exceeding NIS 721,560 for 2025, which amount is generally linked to the annual change in the Israeli consumer price index (with the exception that based on Israeli new legislation such amount, and certain other statutory amounts will not be linked to the Israeli consumer price index for the years 2025-2027). According to new legislation, as of January 1, 2025, an additional 2% surtax tax is imposed on Capital-Sourced Income (defined as income from any source other than employment income, business income or income from “personal effort”), to the extent that the Individual’s Capital Sourced Income exceeds the specified threshold of NIS 721,560 (and regardless of the employment/business income amount of such individual). This new surtax will apply, among other things, to income from capital gains, dividends, interest, rental income, or the sale of real property.

Estate and Gift Tax

Israeli law presently does not impose estate or gift taxes.

Israeli Transfer Pricing Regulations

On November 29, 2006, Income Tax Regulations (Determination of Market Terms) promulgated under Section 85A of the Tax Ordinance, came into effect (TP Regulations). Section 85A of the Tax Ordinance and the TP Regulations generally require that all cross-border transactions carried out between related parties be conducted on an arm’s length principal basis and will be taxed accordingly.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will send our transfer agent a copy of all notices of shareholders' meetings and other reports, communications and information that are made generally available to shareholders. The transfer agent has agreed to mail to all shareholders a notice containing the information (or a summary of the information) contained in any notice of a meeting of our shareholders received by the transfer agent and will make available to all shareholders such notices and all such other reports and communications received by the transfer agent.

I. SUBSIDIARY INFORMATION

Not applicable

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates and inflation. We do not hold or issue financial instruments for trading purposes. For information about the effects of currency and interest rate fluctuations and how we manage currency and interest risk, see "Part I, Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources."

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 RREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

Our Amended Articles took effect on September 29, 2021. A copy of our Amended Articles is filed as Exhibit 1.1 to this Annual Report. See Item “Part I, Item 10. Additional Information-Memorandum and Articles of Association.”

Use of Proceeds

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)) that are designed to ensure that information required to be disclosed in the Company’s reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Any controls and procedures can provide only reasonable assurance of achieving the desired objectives of the disclosure controls and procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2025. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2025, our disclosure controls and procedures were effective.

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. Our internal control over financial reporting is a process designed 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. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2025, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2025.

C. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the year ended December 31, 2025, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16.

A. AUDIT COMMITTEE AND FINANCIAL EXPERT

Our board of directors has determined that Ms. Adi Yarel Toledano, Chairperson of the Audit Committee, is an audit committee financial expert as defined by the SEC rules and has the requisite financial experience as defined by the corporate governance rules of NYSE. Our board of directors has also determined that Adi Yarel Toledano and the other members of the Audit Committee are all “independent” in accordance with the requirements set forth in Rule 10A-3 of the Exchange Act and the NYSE listing standards.

B. CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics that applies to all our employees, officers and directors. Our Code of Business Conduct and Ethics addresses, among other things, competition and fair dealing, gifts and entertainment, conflicts of interest, international business laws, financial matters and external reporting, company assets, confidentiality and corporate opportunity requirements and the process for reporting violations of the Code of Business Conduct and Ethics. Our Code of Business Conduct and Ethics is intended to meet the definition of “code of ethics” under Item 16B of 20-F under the Exchange Act.

We will disclose on our website any amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics that applies to our directors or executive officers to the extent required under the rules of the SEC or NYSE. Our Code of Business Conduct and Ethics is available on our website at <https://investors.valens.com/governance/governance-documents/default.aspx>. The information contained on or through our website, or any other website referred to herein, is not incorporated by reference in this Annual Report.

C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Paid to the Auditors

The following table sets forth, for each of the years indicated, the fees billed by our independent registered public accounting firm.

	2025	2024
	(dollars in thousands)	
Audit fees (1)	439	354
Audit-related fees (2)	-	8
Tax fees (3)	82	34
All other fees (4)	2	75
Total	523	471

- (1) “Audit fees” include fees for services performed by our independent public accounting firm in connection with our annual audit consolidated financial statements, certain procedures regarding our quarterly financial results submitted on Form 6-K, and services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings, including in connection with review of registration statements and consents.
- (2) “Audit-related fees” consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our year-end financial statements and are not reported under “Audit Fees.” These services include due diligence related to mergers and acquisitions and consultation concerning financial accounting and reporting standards.
- (3) “Tax fees” include fees for professional services rendered by our independent registered public accounting firm for tax compliance and tax advice and tax planning services on actual or contemplated transactions.
- (4) “Other fees” include fees for services rendered by our independent registered public accounting firm with respect to certain advisory services.

Pre-Approval Policies and Procedures

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

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

D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

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

In November 2024 the Company announced a share repurchase program at an aggregate amount of up to \$10 million (the “First Repurchase Program”). During the fiscal year ended December 31, 2024, the Company repurchased 625,682 Ordinary Shares for an aggregate purchase price of approximately \$1.6 million under the First Repurchase Program. In addition, during 2025 the Company purchased an additional amount of 2,676,512 shares at a total consideration of \$8.4 million under the First Repurchase Program, totaling 3,302,194 repurchased shares under the First Repurchase Program, at a total amount of \$10 million.

On February 11, 2025, the Company initiated a second share repurchase program (the “Second Repurchase Program”), at an aggregate amount of up to \$15 million. During 2025, the Company has repurchased in the open market a total of 6,151,225 shares at a total consideration of \$15 million under the Second Repurchase Program.

Overall, in the framework of the First Repurchase Program and the Second Repurchase Program, the Company repurchased a total amount of 9,453,419 Ordinary Shares, for a total amount of \$25 million (including broker fees). As of the date of this annual report, the Company does not have any active repurchase programs.

As of December 31, 2025, 6,151,225 shares were formally cancelled and retired from the Company’s issued share registration.

The table below provides detailed information:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Plans or Programs (3)
January 21- February 11, 2025	2,676,512	3.1114	3,302,194	\$ 15,000,000
February 11- July 21, 2025	6,151,225	2.4224	9,453,419	-
Total	9,453,419	2.6278	9,453,419	-

(1) As of the settlement date of the transaction.

(2) No shares were repurchased by the company during 2024-2025 other than through the publicly disclosed share repurchase program.

(3) Excludes broker and transaction fees.

F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

G. CORPORATE GOVERNANCE

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

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

H. MINE SAFETY DISCLOSURE

Not applicable.

I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

J. INSIDER TRADING POLICIES

We have adopted insider trading policies and procedures governing the purchase, sale, and other dispositions of the Company’s securities by directors, senior management, and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to the Company. A copy of the Company’s insider trading policy is filed as Exhibit 11.1 to this annual report.

K. CYBERSECURITY

Cybersecurity Risk Management and Strategy

Cybersecurity risk management is an integral part of our overall enterprise risk management program. Our cybersecurity risk management program has been designed to follow our industry’s best practices and includes a comprehensive set of enterprise security policies and procedures designed to identify, assess, mitigate and remediate cybersecurity threats and incidents. Our Information Systems Security Policy outlines cybersecurity risk management procedures related to, among other areas, access rights management, access control, system management, security monitoring, risk management and IT audits.

Our cybersecurity risk management program also includes the following measures:

- Identifying and protecting our critical assets through actions such as hardening servers, internal and external communications, and using a dedicated system to control privileged accounts;
- Cybersecurity detection, control and remediation practices;
- Assessing the severity of cybersecurity threats and incidents;
- Continuously validating our information systems’ security using penetration tests, vulnerability scanning, access rights reviews etc.;
- Deployment of cyber security and IT management tools, using secure configurations and secure-by-design architectures;
- Our cybersecurity risk management program is implemented and maintained by our CISO (Chief Information Security Officer) in cooperation with the IT Department. The efforts are focused on identifying and assessing risks from cybersecurity threats and monitoring cybersecurity risks on an ongoing basis. In addition, we utilize third-party cybersecurity experts services, implementing secure configurations and other system enhancements;

During the onboarding process and routinely thereafter, we conduct workforce trainings to instruct our employees on how to identify, detect and prevent cybersecurity threats and incidents. Starting 2025, we also guide employees regarding usage of GAI tools

- We have also implemented practices designed to monitor and minimize cybersecurity risks across our supply chain. Under our Suppliers Security Requirements Policy, we require our suppliers to hold relevant cybersecurity certifications and to comply with certain additional cybersecurity-related requirements. Nonetheless, our control over and ability to monitor the security posture of our suppliers, third-party vendors and service providers remains limited and there can be no assurance that we can prevent, mitigate or remediate the risk of any compromise or failure in the security infrastructure owned or controlled by such third parties. Additionally, any contractual protections with such third parties, including our right to indemnification, if any at all, may be limited or insufficient to prevent a negative impact on our business from such compromise or failure.
- Starting from 2024 we are ISO 27001 compliant and in 2025 we completed our TISAX certification. Such certifications enhance our data security by ensuring processes to manage the protection of our intellectual property, customer information and additional assets. They strengthen trust with customers and partners by demonstrating a commitment to global security standards and regulatory compliance. The certifications help mitigate cybersecurity risks, reducing the likelihood of data breaches, supply chain disruptions, and financial losses;
- In 2025, we did not identify any cybersecurity threats or incidents that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats or incidents or provide assurances that we have not experienced an undetected cybersecurity incident. For more information about these risks, please see “Risk Factors – We may be subject to cyber-attacks or other disruptions to or breaches of our information technology, systems or networks that could irreparably damage our reputation and our business, expose us to liability and materially and adversely affect our results of operations.” in this Annual Report on Form 20-F.

Cybersecurity Governance

Our Chief Information Security Officer (CISO) oversees our cybersecurity risk management program and has primary responsibility for identifying, assessing and managing our exposure to cybersecurity threats and incidents. Our IT Director reports to our CISO and Chief of Operations with respect to the prevention, detection, mitigation and remediation of cybersecurity risks. Our CISO, Chief of Operations, IT Director and the dedicated personnel on their teams are certified and experienced information systems security professionals and information security managers with many years of experience. Our CISO and Chief of Operations regularly provide our senior management team with updates on the performance of the cybersecurity risk management program.

Our Board of Directors oversees the adoption and periodic review of our cybersecurity risk management program and strategies and delegates cybersecurity risk management oversight to our audit committee. Our CISO and Chief of Operations report to the audit committee on a regular basis with respect to our cybersecurity strategies and policies and on an ad hoc basis with respect to material cybersecurity risks. Further, our audit committee reports material cybersecurity risks to our full Board of Directors, based on management’s assessment of risk.

PART III

ITEM 17. FINANCIAL STATEMENTS

See “Part III, Item 18. Financial Information.”

ITEM 18. FINANCIAL STATEMENTS

Please refer to pages F-1 through F-42 of this Annual Report.

ITEM 19. EXHIBITS

Exhibit Number	Description
1.1	<u>Amended and Restated Articles of Association of Valens Semiconductor Ltd. (incorporated by reference to Exhibit 1.1 to the Company’s Annual Report on Form 20-F filed on March 2, 2022).</u>
2.1	<u>Description of Securities (incorporated by reference to Exhibit 2.1 to the Company’s Annual Report on Form 20-F filed on March 2, 2022).</u>
4.1	<u>Business Combination Agreement, dated as of May 25, 2021, by and among Valens, PTK and Merger Sub. (incorporated by reference to Exhibit 4.1 to the Company’s Annual Report on Form 20-F filed on March 2, 2022).</u>
4.2	<u>Warrant Agreement, dated as of July 13, 2020, between Continental and PTK (incorporated by reference to PTK’s Current Report on Form 8-K filed on July 21, 2020).</u>
4.3	<u>Specimen Ordinary Share Certificate of Valens (incorporated by reference to Exhibit 4.7 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</u>
4.4	<u>Specimen Warrant Certificate of Valens (incorporated by reference to Exhibit 4.8 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</u>
4.5	<u>Form of Amended and Restated Warrant Agreement, by and among Valens, PTK and Continental. (incorporated by reference to Exhibit 4.9 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</u>
4.6	<u>Second Amended and Restated Investors’ Rights Agreement, dated as of May 25, 2021, by and among Valens, certain equityholders of Valens and certain equityholders of PTK. (incorporated by reference to Exhibit 4.10 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</u>
4.7†††	<u>Valens Semiconductor Ltd. Compensation Policy (incorporated by reference to Exhibit 4.7 to the Company’s Annual Report on Form 20-F filed on March 2, 2022).</u>
4.8†††	<u>Form of Director and Officer Indemnification Agreement. (incorporated by reference to Exhibit 10.5 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</u>
4.9	<u>Form of Subscription Agreement, by and between Valens and the subscribers party thereto (incorporated by reference to Exhibit 10.4 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</u>
4.11	<u>Form of Support Agreement, dated as of May 25, 2021, by and among Valens, PTK and certain equityholders of Valens. (Incorporated by reference to Exhibit 10.2 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</u>
4.12†††	<u>Investment Management Trust Agreement, dated as of July 13, 2020, by and between Continental and PTK (incorporated by reference to Exhibit 10.2 to PTK’s Current Report on Form 8-K filed on July 21, 2020).</u>
4.13	<u>Sponsor Letter Agreement, dated as of May 25, 2021, by certain officers, directors and initial stockholders of PTK in favor of Valens and PTK. (incorporated by reference to Exhibit 10.3 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</u>
4.14†††	<u>Valens Semiconductor Ltd. 2007 Option Plan (incorporated by reference to Exhibit 4.14 to the Company’s Annual Report on Form 20-F filed on March 2, 2022).</u>

4.15†††	<u>Valens Semiconductor Ltd. 2012 Option Plan (incorporated by reference to Exhibit 4.15 to the Company's Annual Report on Form 20-F filed on March 2, 2022).</u>
4.16†††	<u>Valens Semiconductor Ltd. 2021 Share Incentive Plan (incorporated by reference to Exhibit 4.16 to the Company's Annual Report on Form 20-F filed on March 2, 2022).</u>
4.17†††	<u>Valens Semiconductor Ltd. 2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.17 to the Company's Annual Report on Form 20-F filed on March 2, 2022).</u>
4.18	<u>Board Nomination Agreement dated as of July 23, 2024, by and among Value Base Fund Limited Partnership, Value Base Fund Invest 1, Limited Partnership and Value Base Ltd. and Valens Semiconductor Ltd. (incorporated by reference to Exhibit 4.18 to the Company's Annual Report on Form 20-F filed on February 26, 2025).</u>
4.19*#	<u>Stock Purchase Agreement dated as of May 31, 2024, by and among Valens Semiconductor, Inc., Acroname Inc. and certain shareholders of Acroname Inc. and their representatives.</u>
8.1*	<u>List of subsidiaries of Valens Semiconductor Ltd.</u>
11.1*	<u>Valens Semiconductor Ltd. Insider Trading Policy.</u>
12.1*	<u>Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
12.2*	<u>Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
13.1*	<u>Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
13.2*	<u>Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
15.1*	<u>Consent of Kesselman & Kesselman, independent registered public accounting firm.</u>
97*	<u>Valens Semiconductor Ltd. Policy For Recovery Of Erroneously Awarded Compensation.</u>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

††† Indicates a management contract or compensatory plan.

Certain portions of this exhibit (indicated by asterisks) have been redacted because they are both not material and are the type that the Registrant treats as private or confidential.

SIGNATURES

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

VALENS SEMICONDUCTOR LTD.

Date: February 25, 2026

By: /s/ Yoram Salinger

Name: Yoram Salinger

Title: Chief Executive Officer

Date: February 25, 2026

By: /s/ Guy Nathanzon

Name: Guy Nathanzon

Title: Chief Financial Officer

VALENS SEMICONDUCTOR LTD.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

VALENS SEMICONDUCTOR LTD.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Valens Semiconductor Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Valens Semiconductor Ltd. and its subsidiaries (the “Company”) as of December 31, 2025 and 2024, and the related consolidated statements of operations and comprehensive loss, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2025, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Tel-Aviv, Israel
February 25, 2026

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

We have served as the Company’s auditor since 2019.

Kesselman & Kesselman, 146 Derech Menachem Begin, Tel-Aviv 6492103, Israel,
P.O Box 20602 Tel-Aviv 6120601, Telephone: +972 -3- 7954555, Fax: +972 -3- 7954556, www.pwc.com/il

VALENS SEMICONDUCTOR LTD.
CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands, except for number of shares and par value)

		December 31	
	Note	2025	2024
Assets			
CURRENT ASSETS:			
Cash and cash equivalents		27,863	35,423
Short-term deposits		64,733	95,532
Restricted short-term deposit		1,132	1,138
Trade accounts receivable		9,971	7,751
Prepaid expenses and other current assets		4,842	3,904
Inventories	4	10,117	10,155
TOTAL CURRENT ASSETS		118,658	153,903
LONG-TERM ASSETS:			
Property and equipment, net	5	2,901	3,555
Operating lease right-of-use assets	6	6,901	7,458
Intangible assets	7	3,762	4,702
Goodwill		1,847	1,847
Other assets		632	687
TOTAL LONG-TERM ASSETS		16,043	18,249
TOTAL ASSETS		134,701	172,152

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

VALENS SEMICONDUCTOR LTD.
CONSOLIDATED BALANCE SHEETS (continued)
(U.S. dollars in thousands, except for number of shares and par value)

		December 31	
	Note	2025	2024
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES:			
Trade accounts payable		4,698	6,003
Accrued compensation		7,298	4,964
Earnout liability	10	282	-
Current maturities of operating leases liabilities	6	1,526	975
Other current liabilities	8	9,130	8,384
TOTAL CURRENT LIABILITIES		22,934	20,326
LONG-TERM LIABILITIES:			
Forfeiture Shares, no par value: 0 and 359,375 shares authorized, issued and outstanding as of December 31, 2025 and 2024	9	-	1
Non-current operating leases liabilities	6	6,717	6,645
Earnout liability	10	-	2,413
Other long-term liabilities		67	79
TOTAL LONG-TERM LIABILITIES		6,784	9,138
COMMITMENTS AND CONTINGENT LIABILITIES			
	11		
TOTAL LIABILITIES		29,718	29,464
SHAREHOLDERS' EQUITY:			
Ordinary shares, no par value: 700,000,000 shares authorized as of December 31, 2025 and 2024; 106,352,460 and 107,614,972 shares issued and 103,050,266 and 106,342,415 shares outstanding as of December 31, 2025 and 2024, respectively (excluding 0 and 359,375 Ordinary shares subject to forfeiture)	13	49	49
Treasury shares at cost: 3,302,194 and 625,682 shares as of December 31, 2025 and 2024, respectively		(10,006)	(1,613)
Additional paid-in capital		360,013	357,570
Accumulated other comprehensive income		429	601
Accumulated deficit		(245,502)	(213,919)
TOTAL SHAREHOLDERS' EQUITY		104,983	142,688
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		134,701	172,152

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

VALENS SEMICONDUCTOR LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(U.S. dollars in thousands, except share and per share amounts)

		Year ended December 31		
	Note	2025	2024	2023
REVENUES		70,625	57,859	84,161
COST OF REVENUES		(26,540)	(23,582)	(31,569)
GROSS PROFIT		44,085	34,277	52,592
OPERATING EXPENSES:				
Research and development expenses		(42,655)	(40,475)	(48,171)
Sales and marketing expenses		(21,390)	(18,302)	(17,314)
General and administrative expenses		(14,264)	(16,465)	(14,024)
Change in earnout liability		169	(377)	-
TOTAL OPERATING EXPENSES		(78,140)	(75,619)	(79,509)
OPERATING LOSS		(34,055)	(41,342)	(26,917)
Change in fair value of Forfeiture Shares		1	37	1,713
Financial income, net	15	2,620	4,795	5,637
LOSS BEFORE INCOME TAXES		(31,434)	(36,510)	(19,567)
INCOME TAXES	17	(158)	(96)	(112)
LOSS AFTER INCOME TAXES		(31,592)	(36,606)	(19,679)
Equity in earnings of investee		9	23	18
NET LOSS		(31,583)	(36,583)	(19,661)
Basic and diluted net loss per Ordinary Share	16	(0.31)	(0.35)	(0.19)
Weighted average number of shares and vested RSUs used in computing net loss per Ordinary Share		103,142,173	105,477,191	101,985,939
Other comprehensive income (loss):				
Change in unrealized gain (loss) on cash flow hedges		(172)	601	-
TOTAL COMPREHENSIVE LOSS		(31,755)	(35,982)	(19,661)

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

VALENS SEMICONDUCTOR LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(U.S. dollars in thousands, except for share data)

	Ordinary Shares		Additional paid-in capital	Treasury Shares	Accumulated other comprehensive income	Accumulated deficit	Total
	Shares	Amount					
BALANCE AS OF DECEMBER 31, 2022	(*)98,876,266	49	325,067	-	-	(157,675)	167,441
CHANGE DURING 2023:							
Exercise of options and vesting of RSUs	4,278,130	-	1,498	-	-	-	1,498
Stock-based compensation	-	-	15,026	-	-	-	15,026
Net loss	-	-	-	-	-	(19,661)	(19,661)
BALANCE AS OF DECEMBER 31, 2023	(*)103,154,396	49	341,591	-	-	(177,336)	164,304
CHANGE DURING 2024:							
Exercise of options and vesting of RSUs	3,813,701	-	861	-	-	-	861
Repurchase of Ordinary Shares	(625,682)	-	-	(1,613)	-	-	(1,613)
Stock-based compensation	-	-	15,118	-	-	-	15,118
Net loss	-	-	-	-	-	(36,583)	(36,583)
Change in unrealized gain on cash flow hedges	-	-	-	-	601	-	601
BALANCE AS OF DECEMBER 31, 2024	(**)106,342,415	49	357,570	(1,613)	601	(213,919)	142,688
CHANGE DURING 2025:							
Exercise of options and vesting of RSUs	5,535,588	-	903	-	-	-	903
Repurchase of Ordinary Shares	(8,827,737)	-	-	(23,393)	-	-	(23,393)
Retirement of treasury shares	-	-	(15,000)	15,000	-	-	-
Stock-based compensation	-	-	16,540	-	-	-	16,540
Net loss	-	-	-	-	-	(31,583)	(31,583)
Change in unrealized loss on cash flow hedges	-	-	-	-	(172)	-	(172)
BALANCE AS OF DECEMBER 31, 2025	103,050,266	49	360,013	(10,006)	429	(245,502)	104,983

(*) Excluding 1,006,250 Forfeiture Shares

(**) Excluding 359,375 Forfeiture Shares

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

VALENS SEMICONDUCTOR LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	Year ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	(31,583)	(36,583)	(19,661)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Income and expense items not involving cash flows:			
Depreciation and amortization	2,980	2,546	1,632
Stock-based compensation	16,540	15,118	15,026
Exchange rate differences	818	660	945
Realized and unrealized losses on non-designated derivative instruments	651	609	-
Interest in short-term deposits	1,168	244	(848)
Change in fair value of Forfeiture Shares	(1)	(37)	(1,713)
Change in fair value of earnout liability	(169)	377	-
Reduction in the carrying amount of ROU assets	1,219	1,500	1,874
Equity in earnings of investee, net of dividend received	17	17	1
Changes in operating assets and liabilities, net of effects of businesses acquired:			
Trade accounts receivable	(2,245)	7,185	(3,166)
Prepaid expenses and other current assets	(1,053)	991	489
Inventories	(178)	6,178	9,980
Other long-term assets	50	12	(174)
Trade accounts payable	(1,534)	594	(6,374)
Accrued compensation	1,667	839	(1,949)
Other current liabilities	(7)	2,063	(864)
Change in operating lease liabilities	(1,046)	(1,278)	(1,598)
Other long-term liabilities	(12)	(16)	41
Net cash provided by (used in) operating activities	(12,718)	1,019	(6,359)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in short-term deposits	(105,555)	(141,541)	(206,024)
Maturities of short-term deposits	135,973	170,113	208,561
Purchase of property and equipment	(1,070)	(1,867)	(1,185)
Investment in a restricted short-term deposit	-	(1,120)	-
Derivative instruments of non-designated hedges	(1,320)	(4)	-
Cash paid for business combination, net of cash acquired (note 3)	-	(7,800)	-
Net cash provided by investing activities	28,028	17,781	1,352
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchase of Ordinary Shares	(23,990)	(1,016)	-
Exercise of stock options	903	861	1,498
Net cash provided by (used in) financing activities-	(23,087)	(155)	1,498
Effect of exchange rate changes on cash and cash equivalents	217	(483)	746
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,560)	18,162	(2,763)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	35,423	17,261	20,024
CASH AND CASH EQUIVALENTS AT END OF YEAR	27,863	35,423	17,261
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Trade accounts payable on account on property and equipment	100	569	611
Repurchase of Ordinary Shares	-	597	-
Fair value of earnout liability assumed in business combination	-	2,036	-
Operating lease liabilities arising from obtaining operating right-of-use assets and lease modification	673	6,094	398

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

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

- a. Valens Semiconductor Ltd. (hereafter “Valens”, and together with its wholly owned subsidiaries, the “Company”), was incorporated in Israel in 2006.

Valens is a leading provider of semiconductor products (chips), operates in the Audio-Video, industrial, machine vision, medical (all referred to as the “CIB”) and Automotive industries, renowned for its Physical Layer (PHY) technologies, enabling resilient high-speed connectivity over simple, low-cost infrastructure. Valens is the inventor of the HDBaseT Technology, which enables the converged delivery of ultra-high-definition digital video and audio, Ethernet, control signals, USB and power through a single cable. In the audio-video space, Valens’ HDBaseT technology enables plug-and-play digital connectivity between ultra-HD video sources and remote displays. In the automotive domain, Valens’ product offering includes both symmetric and asymmetric connectivity solutions for high bandwidth transmission of native interfaces over single low-cost wires and connectors. Valens’ advanced PHY technologies for the auto industry provides the safety and resilience required to handle the noisy automotive environment, addressing the needs of Advanced driver-assistance systems (ADAS), Automotive Data Solutions (ADS), infotainment, telematics and backbone connectivity.

On September 29, 2021 (the “Merger Closing Date”), the Company consummated a merger transaction (referred to as the “Merger Agreement Closing”), by and among the Company, PTK Acquisition Corp., a special purpose acquisition company whose common stock and warrants were then traded on the New York Stock Exchange (“PTK” or “SPAC”) and Valens Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the Company (“Merger Sub”).

As of September 30, 2021, the Company’s shares and warrants began trading on the New York Stock Exchange under the Symbols “VLN” and “VLNW”.

- b. In March 2010, the Company incorporated, together with Samsung Electronics, LG Electronics and Sony Pictures Technologies Inc., the HDBaseT Licensing LLC (the “LLC”) in Oregon, USA. The Company holds 25% of interest in the LLC. The LLC’s purposes are (i) to hold, obtain, license and/or acquire rights to certain intellectual property associated with or connected to or related to technical specifications developed by the HDBaseT Alliance, an Oregon nonprofit mutual benefit corporation (hereafter the “Alliance”), to enter into licensing arrangements for such intellectual property as required by the intellectual property rights policy of the Alliance; and (ii) to engage in any other lawful act or activity for which limited liability companies may be formed under the Act, and to do all things incidental to such purposes.
- c. As of December 31, 2025, and 2024, the Company has wholly owned subsidiaries in the United States, Japan, China, and Germany primarily for the marketing of and support for the Company’s products. During 2024 the Company acquired Acroname Inc., a US company specializing in advanced automation and control technologies (refer to note 3).

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Presentation

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

b. Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date, amounts of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions or circumstances.

On an ongoing basis, management evaluates its estimates, including those related to write-down for excess and obsolete inventories, the valuation of stock-based compensation awards, estimated useful lives of intangible assets, the valuation of earnout liability, goodwill impairment valuation. Such estimates often require the selection of appropriate valuation methodologies and models, and significant judgment in evaluating ranges of assumptions and financial inputs. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

c. Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All inter-company transactions, balances, income, and expenses are eliminated in the consolidated financial statements.

d. Functional Currency

The currency of the primary economic environment in which Valens and each of its subsidiaries conducts its operations is the U.S. dollar ("dollar"). Accordingly, the Company uses the dollar as its functional and reporting currency. Foreign currency assets and liabilities are remeasured into U.S. dollars at the end-of-period exchange rates except for non-monetary assets and liabilities, which are remeasured at historical exchange rates. Expenses in foreign currency (mainly payroll to Israeli employees and overhead expenses), are remeasured at the exchange rate in effect during the period the transaction occurred, except for those expenses related to balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency transactions are included in the consolidated statements of operations and comprehensive income as part of "financial income, net".

e. Cash and cash equivalents

Cash and cash equivalents consist of cash and demand deposits in banks and other short-term, highly liquid investments with original maturities of less than three months at the time of purchase.

f. Restricted short-term deposit

Restricted short-term bank deposit is an amount related to a bank guarantee in connection with hedging activity. Such a deposit is stated at cost including accrued interest, which approximates market value. As of December 31, 2025, the restricted short-term deposit is a deposit for a period of six months.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Short-term deposits

Short-term deposits are bank deposits with maturities over three months and of up to one year. As of December 31, 2025, and 2024, the short-term deposits were denominated in U.S. dollars and NIS (Israeli currency) and bore average interest of 4.3% and 5.0%, respectively. Short-term deposits are presented on the balance sheet at their cost, including accrued interest.

h. Fair Value of Financial Instruments

The FASB ASC Topic 820, Fair Value Measurements and Disclosures ("Topic 820"), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under Topic 820 are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities.

The Company's financial instruments consist of cash, cash equivalents, short-term bank deposits, restricted short-term deposit, trade accounts receivable and trade accounts payable as well as Forfeiture Shares liability, earnout liability and derivative instruments. Other than the Forfeiture Shares liability, the earnout liability and the derivative instruments (see below), the recorded amounts approximate their respective fair value because of the liquidity and short period of time to maturity, receipt or payment of these instruments.

The Company's derivative instruments are measured at fair value within Level 2 of the fair value hierarchy as the valuation inputs are based on quoted prices and market observable data of similar instruments (refer to note 12).

The Company's financial instruments, which are considered as a Level 3 measurement, are Forfeiture Shares liability (refer to note 9) and earnout liability (refer to note 10).

i. Accounts Receivable, net

Trade accounts receivable are recorded at the invoiced amount and do not include finance charges. The Company performs ongoing credit evaluation of its customers and generally requires no collateral.

The Company estimates Current Expected Credit Losses ("CECL") on accounts receivable at inception for estimated credit losses resulting from the inability of the Company's customers to make required payments. The allowance represents the current estimate of lifetime expected credit losses over the remaining duration of existing accounts receivable based on current conditions as of the balance sheet date. The estimate is a result of the Company's ongoing evaluation of collectability, customer creditworthiness, historical levels of credit losses and economic and market conditions.

The Company elected to apply the practical expedient provided in ASU 2025-05. In accordance with ASU 2025-05, the Company assumes that current conditions as of the balance sheet date will remain unchanged over the remaining life of the asset when estimating expected credit losses on current trade receivables and contract assets.

As of December 31, 2025 and December 31, 2024, the credit loss allowance for trade accounts receivable was not material. For each of the years presented, the charge-offs and recoveries in relation to the credit losses were not material.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

j. Inventories

Inventories are comprised of finished goods as well as work in process that is planned to be sold to the Company's customers and is presented at the lower of cost or net realizable value, based on the "first-in, first-out" basis. Most inventories are stored at the last production sites and are distributed from these locations. Inventories are reduced for write-downs based on periodic reviews for evidence of slow-moving or obsolete parts. Once written down, inventories write-downs are not reversed until the inventories are sold or scrapped unless incurred in the same fiscal period.

k. Property and equipment

Property and equipment are stated at cost less accumulated depreciation that is calculated using the straight-line method over the estimated useful lives of the related assets, as follows:

	%
Computers and software	33
Electronic and laboratory equipment	10-33
Furniture and office equipment	7
Production equipment	20-50

Leasehold improvements are depreciated by the straight-line method over the shorter of the term of the lease or the estimated useful life of such improvements.

l. Impairment of long-lived assets

The Company tests long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the long-lived asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the sum of the expected undiscounted cash flow is less than the carrying amount of the asset, the Company recognizes an impairment loss, which is the excess of the carrying amount over the fair value of the asset, using the expected future discounted cash flows.

For the years ended December 31, 2025, 2024 and 2023, the Company did not recognize an impairment loss on its long-lived assets.

m. Severance Pay

The Israeli Severance Pay Law, 1963 ("Severance Pay Law"), specifies that employees are entitled to severance payment, following the termination of their employment. Under the Severance Pay Law, the severance payment is calculated as one-month's salary for each year of employment, or a portion thereof.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The employees of Valens Ltd. elected to be included under section 14 of the Israeli Severance Compensation Act, 1963 ("section 14"). According to this section, these employees are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in their name with insurance companies and/or pension funds. Payments in accordance with section 14 release Valens Ltd. from any future severance payments (under the above Israeli Severance Pay Law) in respect of those employees. As a result, the Company does not recognize any liability for severance pay due to these employees.

The aforementioned deposits are not recorded as an asset in the Company's balance sheet as they are not under the Company's control.

In addition, the Company's employees in other jurisdictions are entitled to certain pension plans and related severance payments in accordance with local laws and practices.

n. Treasury shares

Treasury shares are presented as a reduction of shareholders' equity, at their cost to the Company. The Treasury shares are not entitled to any rights, such as voting rights and distributions. The Treasury shares were purchased in the open market.

o. Share retirement

Retired shares are equivalent to authorized, unissued shares and are no longer considered to be outstanding or held in treasury. The excess purchase price of the shares over the par value is recorded as a reduction to additional paid-in-capital.

p. Revenue recognition

The Company applies ASC 606, "Revenue from Contracts with Customers" ("ASC 606"). Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps:

- (i) Identify the contract(s) with a customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations in the contract;
- (v) Recognize revenue when (or as) the performance obligation is satisfied.

The Company uses the following practical expedients that are permitted under ASC 606:

- The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs are included in sales and marketing expenses.
- When a contract with a customer includes a material right to acquire future goods or services that are similar to the original goods or services in the contract and are provided in accordance with the terms of the original contract, the Company allocates the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration.
- The Company applies the practical expedient of allowing it to disregard the effects of a financing component if the period between when the Company transfers the promised services to the customer and when the customer pays for the services will be one year or less.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The Company generates revenues mainly from selling semiconductor products (chips) and USB hubs. Revenues are recognized when the customer (which includes distributors) obtains control over the Company's product, typically upon shipment to the customer. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

The Company generally provides its customers a limited warranty assurance that the sold products are in compliance with the applicable specifications at the time of delivery. Under the Company's standard terms and conditions of sale, liability for certain failures of product during a stated warranty period is usually limited to repair or replacement of defective items. To the extent the Company sells extended warranty, the recognition of such revenue is deferred until such warranty is in effect.

q. Cost of Revenues

Cost of revenues includes cost of materials, such as the cost of wafers, costs associated with packaging, assembly and testing costs, as well as royalties, shipping cost, depreciation cost of production equipment, amortization cost of intangible asset of technology, cost of personnel (including stock-based compensation), costs of logistics and quality assurance and other expenses associated with manufacturing support.

r. Research and development costs

Research and development costs are expensed as incurred. Research and development expenses consists of costs incurred in performing research and development activities including cost of personnel (including stock-based compensation), pre-production engineering mask costs, engineering services, development tools cost, third parties' intellectual property license fees, depreciation of development equipment, prototype wafers, packaging and test development costs as well as overhead costs. Development of a product is deemed complete when it is qualified through reviews and tests for performance and reliability. Subsequent to product qualification, product costs are included in cost of goods sold.

s. Sales Commissions

Internal sales commissions are recorded within sales and marketing expenses. Sales commissions for the years ended December 31, 2025, 2024 and 2023 amounted \$753 thousand, \$357 thousand and \$482 thousand, respectively.

t. Leases

The Company determines if an arrangement is a lease at inception. Balances related to operating leases are included in operating lease right-of-use ("ROU") assets, Current maturities of operating leases liabilities and Non-current operating leases liabilities in the consolidated balance sheets.

Leases primarily consist of real estate property and vehicles and are classified as operating leases with fixed payment terms. The Company determines if an arrangement is a lease, or contains a lease, at inception and records the leases upon lease commencement, which is the date when the underlying asset is made available for use by the lessor. Right-of-use ("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. ROU assets and lease liabilities are included in long-term assets, current liabilities, and long-term liabilities on the consolidated balance sheet.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Lease expenses for the operating leases are recognized on a straight-line basis over the lease term and are included in operating expenses in the consolidated statements of operations and comprehensive loss. Options to extend or terminate the lease are taken into account when it is reasonably certain at the commencement date that such options will be exercised.

The Company elected to apply the short-term lease exemption for lease with a non-cancellable period of twelve months or less. Additionally, the Company has lease agreements with lease and non-lease components. The non-lease components are included in the leased assets and corresponding liabilities. On the commencement date, lease payments that include variable lease payments dependent on an index or a rate (such as the Consumer Price Index or a market interest rate), are initially measured using the index or rate at the commencement date. Such variable payments are recognized in the consolidated statements of operations and comprehensive loss in the period in which the event or condition that triggers the payment occurs. These variable payment amounts were not material to the consolidated financial statements for the periods presented.

The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate because the interest rate implicit in most of its leases is not readily determinable.

u. Equity investee

Investment in which the Company exercises significant influence, and which is not considered a subsidiary, is accounted for using the equity method, whereby the Company recognizes its proportionate share of the investee's net income or loss after the date of investment (see Note 1b). The equity investee is included within Other Assets and totaled \$16 thousand and \$33 thousand as of December 31, 2025 and 2024, respectively.

v. Segment reporting

The chief operating decision maker is the Company's Chief Executive Officer (the "CODM"), who makes resource allocation decisions and assesses performance based on financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues, gross profit and operating loss by the two identified reportable segments. The Company's business includes two operating segments based on the two markets the Company serves:

- 1) Cross Industry Business ("CIB"): The Company solutions for the non-automotive verticals, including audio-video, industrial, machine vision and medical markets, which deliver superior, plug-and-play convergence and distribution of different interfaces, through a single long-distance category cable.
- 2) Automotive: Valens Automotive delivers safe & resilient high-speed in-vehicle connectivity for advanced car architectures, realizing the vision of connected and autonomous cars.

w. Net loss per Ordinary Share

Basic net loss per Ordinary Share is computed by dividing net loss for the period by the weighted-average number of Ordinary Shares and vested RSUs outstanding during the period, net of treasury shares.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Diluted net loss per share is computed by dividing net loss by the weighted-average number of Ordinary Shares and vested RSU's outstanding during the period, while giving effect to all potentially dilutive common shares to the extent they are dilutive.

Potentially dilutive common shares result from the assumed exercise of options and warrants and the assumed vesting of RSUs, using the "treasury stock" method, and the Forfeiture Shares (see note 9). The Forfeiture Shares are subject to forfeiture if certain conditions are not achieved, for which we examine their occurrence at the end of each reporting period. The Forfeiture Shares are not included in the denominator of diluted earnings per share (EPS) unless the contingency has been met, or would have been met, as of the reporting date.

x. Stock-based compensation

The Company accounts for share-based compensation in accordance with ASC 718-10. Under ASC 718-10, stock-based awards, including stock options and Restricted Share Units ("RSUs"), are recorded at fair value as of the grant date and recognized as expense over the employee's, directors and consultants' requisite service period (generally the vesting period) which the Company has elected to amortize on a straight-line basis. The Company recognizes share-based compensation expense over the requisite service period of the award, net of estimated forfeitures, and revised its estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures.

- 1) With respect to stock options, the Company uses the Black-Scholes option-pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding number of complex and subjective variables. These variables include the estimated stock price volatility over the term of the awards; actual and projected employee stock option exercise behaviors, which is referred to as expected term; risk-free interest rate and expected dividends.

The expected term is calculated using the simplified method, as the Company has concluded that its historical share option exercise experience does not provide a reasonable basis to estimate the expected option term. The Company estimates the volatility of its common stock using the historical volatility rates of the Company. The Company bases the risk-free interest rate used in its option-pricing models on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term to maturity of its equity awards. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in its option-pricing models.

- 2) With respect to RSUs, the Company uses the stock market price as of the grant date to determine the fair value of such RSUs.

y. Income taxes

The Company accounts for income taxes using the asset and liability approach, which requires the recognition of taxes payable or refundable for the current year and the deferred tax liabilities and assets for the future tax consequences of events that we have recognized in our financial statements or tax returns. The Company measures current and deferred tax liabilities and assets based on provisions of the relevant tax law. The Company records a valuation allowance to reduce its deferred tax assets to the net amount that the Company believes is more likely than not to be realized. The Company considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income, and ongoing tax planning strategies in assessing the need for a valuation allowance. The Company classifies interest and penalties relating to uncertain tax positions within income taxes.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

z. Forfeiture shares

Shares issued to PTK's sponsor that were subject to forfeiture ("Forfeiture Shares") were evaluated as equity-linked contracts rather than as outstanding shares. In accordance with ASC 815-40, the Forfeiture Shares were not solely indexed to the Company's Ordinary Shares and therefore were accounted for as a liability on the consolidated balance sheet at the Merger Closing Date. This liability was subject to re-measurement at each balance sheet date until the contingency settlement, and any change in fair value was recognized in the Company's statement of operations and comprehensive loss.

aa. Public and Private Warrants

The Company accounts for the warrants (please refer to note 13 (b)) in accordance with the guidance contained in Accounting Standards Codification 815 ("ASC 815"), "Derivatives and Hedging". Accordingly, both the Public and the Private Warrants are considered indexed to the entity's own stock and are classified within equity.

bb. Business combination

The Company allocates the fair value of consideration transferred in a business combination to the assets acquired and the liabilities assumed in the acquired business based on their fair values at the acquisition date. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred. The excess of the fair value of the consideration transferred over the fair value of the assets acquired, liabilities assumed in the acquired business is recorded as goodwill. The fair value of the consideration transferred may include a combination of cash and earnout payments. The allocation of the consideration transferred in certain cases may be subject to revision based on the final determination of fair values during the measurement period, which may be up to one year from the acquisition date. The cumulative impact of revisions during the measurement period is recognized in the reporting period in which the revisions are identified. The Company includes the results of operations of the businesses that it has acquired in its consolidated results prospectively from the respective dates of acquisition.

cc. Intangible assets

Goodwill

Goodwill reflects the excess of the consideration transferred at the business combination date over the fair values of the identifiable net assets acquired. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

The Company allocated the goodwill to a reporting unit that is expected to benefit from the business combination. The primary items that generate goodwill include the value of the synergies between the acquired company and the Company and the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. ASC 350 allows an entity to first assess qualitative factors to determine whether a quantitative goodwill impairment test is necessary. Further testing is only required if the entity determines, based on the qualitative assessment, that it is more likely than not that a reporting unit's fair value is less than its carrying amount. Otherwise, no further impairment testing is required.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Examples of events or circumstances that may be indicative of impairment include, but are not limited to: macroeconomic and industry conditions, overall financial performance and adverse changes in legal, regulatory, market share and other relevant entity specific events.

An entity has the option to bypass the qualitative assessment for its reporting unit in any period and proceed directly to the quantitative goodwill impairment test. This would not preclude the entity from performing the qualitative assessment in any subsequent period.

The quantitative assessment compares the fair value of the reporting unit to its carrying value, including goodwill.

The Company determines the fair value of its reporting unit using a discounted cash flow model, which utilizes key assumptions such as projected revenues, cost of revenues and operating expenses (Level 3 measurement). These assumptions are determined by the Company's management utilizing its internal operating plan, growth rates for revenues and operating expenses and margin assumptions. An additional key assumption under this approach is the discount rate, based on the weighted average cost of capital, which is adjusted for current risk-free rates of capital, current market interest rates, and the evaluation of a risk premium relevant to the reporting unit.

If the Company's assumptions relative to revenue growth rates, cost of revenues and operating expenses were to change, the Company's fair value calculation may change, which could result in impairment. If the Company's assumptions relative to the discount rate and the evaluation of risk premium growth rates were to change, the Company's fair value calculation may change, which could result in impairment. The Company uses the income approach to determine the fair value of the reporting unit because it considers the anticipated future financial performance of the reporting unit. Accordingly, changes in the assumptions described above could impact the Company's consolidated results of operations and comprehensive loss.

The Company's goodwill is tested for impairment in the fourth quarter of each year and whenever events or changes in circumstances indicate the carrying value of a reporting unit may not be recoverable. When necessary, the Company records charges for impairments of goodwill for the amount by which the carrying amount of the respective reporting unit exceeds its fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

The reporting unit to which the goodwill, identified in Acroname's acquisition, was assigned, is part of the CIB segment.

The goodwill is deductible for tax purposes for a period of 15 years.

As of December 31, 2025, the Company completed a quantitative goodwill impairment test. The fair value of the reporting unit exceeded its carrying amount and no goodwill impairment loss was recorded for the year ended December 31, 2025.

Actual results may differ from those assumed in our valuation method. It is reasonably possible that our assumptions described above could change in future periods. If any of these were to vary materially from our plans, we may record impairment of goodwill allocated to this reporting unit in the future.

Other Intangible Assets

Definite life intangible assets are amortized using the straight-line method over their estimated period of useful life. Amortization of core technology is recorded under cost of revenues. Amortization of customer relationships is recorded under sales and marketing expenses.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

dd. Risk and uncertainties

War in Israel

On October 7, 2023, Hamas launched a series of attacks on civilian and military targets in Southern Israel and Central Israel, to which the Israel Defense Forces responded. In addition, both Hezbollah and the Houthi movement attacked military and civilian targets in Israel, to which Israel responded, including through increased air and ground operations in Lebanon. In addition, the Houthi movement attacked international shipping lanes in the Red Sea, to which both Israel and the United States responded. Further, on April 13, 2024 and October 1, 2024, Iran launched a series of drone and missile strikes against Israel, to which Israel responded. Most recently, on June 13, 2025, Israel launched a preemptive attack on Iran, to which Iran responded with ballistic missile and drone attacks. On June 23, 2025, Israel and Iran agreed to a ceasefire, although there is no assurance that the ceasefire will continue. On October 9, 2025, Israel, Hamas, the United States and other countries in the region agreed to a framework for a ceasefire in Gaza between Israel and Hamas. How long and how severe the current conflicts in Gaza, Northern Israel, Lebanon, Iran or the broader region become is unknown at this time and any continued clash among Israel, Hamas, Hezbollah, Iran or other countries or militant groups in the region may escalate in the future into a greater regional conflict. To date, our operations have not been materially affected. We expect that the current conflict in the Gaza Strip, Lebanon, Iran and the broader region, as well as the security escalation in Israel, will not have a material impact on our business results in the short term. However, since these are events beyond our control, their continuation or cessation may affect our expectations. We continue to monitor political and military developments closely and examine the consequences for our operations and assets.

Concentrations of credit risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, investments in short-term deposits, trade accounts receivable and derivative financial instruments. As of December 31, 2025, and 2024, the Company had cash and cash equivalents totaling \$27,863 thousand and \$35,423 thousand, respectively, as well as short-term deposits of \$64,733 thousand and \$95,532 thousand as of December 31, 2025, and 2024, respectively, which are deposited in major Israeli, U.S, Japanese, German and Chinese financial institutions. The Company's management believes that these financial institutions are financially sound.

Derivative financial instruments are forward contracts entered into with major banks in Israel to hedge the Company's foreign exchange rate risk. Accordingly, management believes that these derivative financial instruments have minimal credit risk.

The Company extends different levels of credit to customers and does not require collateral deposits. As of December 31, 2025, and 2024, the Company did not have expected credit losses.

Reliance on third party subcontractors

The Company's silicon wafers, which are the basic element of any semiconductor product, are designed to be manufactured at Taiwan Semiconductor Manufacturing Company ("TSMC"). TSMC is a critical third-party supplier, and any disruption in its operations could significantly impact the Company's operations and adversely affect the Company's ability to meet production demands.

Up-turns in the semiconductor market

The demand for semiconductor products is cyclical in nature and is often affected by trends. Significant upturns in demand can result in increased competition on access to third-party foundry and assembly capacity. In the event of such an upturn, the Company may not be able to procure adequate capacity within its semiconductor supply chains.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

In addition, such capacity shortage periods are often characterized with extended lead times from suppliers as well as increased manufacturing and raw materials costs, which may impact the Company's results of operations. At times of limited capacity, the Company may also be required to increase its inventory levels to ensure its ability to meet the demand for its products.

Concentration of other risks

- a. The Company operates in markets that are highly competitive and rapidly changing. Significant technological changes, shifting customer needs, the emergence of competitive products with new capabilities, general economic conditions worldwide, changes in regulations, the ability to safeguard patents and other intellectual property ("IP") in a rapidly evolving market and other factors could affect our financial results.
- b. As of December 31, 2025, the Company has assessed the potential impact of the United States tax reform legislation enacted through the One Big Beautiful Bill Act ("OBBBA"), the period of enactment, as well as tariff measures introduced by the U.S. government (the "Trump Tariffs"). Following its evaluation, management determined that these legislative and trade actions did not have a material effect on the Company's consolidated financial statements. Accordingly, no adjustments to income tax expense or deferred tax assets and liabilities were recorded for the year ended December 31, 2025. The Company will continue to monitor changes in U.S. tax laws and trade policy for any potential future impact.

ee. New Accounting Pronouncements

Accounting pronouncements adopted in the period:

In December 2023, the FASB issued ASU 2023-09 Improvements to Income Tax Disclosures. The ASU improves the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The ASU is effective for the Company for annual periods beginning after December 15, 2025. The Company implemented the new income tax disclosures retrospectively. The implementation of ASU 2023-09 affected disclosures only and had no impact on the Company's financial condition or results of operations (see Note 17 Income Taxes).

In July 2025, the FASB issued Accounting Standards Update 2025-05, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets ("ASU 2025-05"). ASU 2025-05 provides a practical expedient that all entities can use when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606, Revenue from Contracts with Customers. Under this practical expedient, an entity is allowed to assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. ASU 2025-05 is effective for fiscal years beginning after December 15, 2025, and interim reporting periods in those years.

As of December 31, 2025, the Company elected to early adopt ASU 2025-05 effective January 1, 2025. This adoption did not have a material impact on the Company's consolidated financial statements or related disclosures.

Accounting Pronouncements effective in future periods:

In November 2024, the FASB issued ASU 2024-03 Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosure (Subtopic 220-40): Disaggregation of Income Statement Expense and ASU 2025-01, Income Statement – Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The ASU improves the disclosures about a public business entity's expenses and provides more detailed information about the types of expenses in commonly presented expense captions. The amendments require that at each interim and annual reporting period an entity will, inter alia, disclose amounts of purchases of inventory, employee compensation, depreciation and amortization included in each relevant expense caption (such as cost of sales, general and administrative, and research and development). The ASU is effective for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is evaluating the potential impact of this guidance on its consolidated financial statement disclosures.

NOTE 3 - BUSINESS COMBINATION

On May 31, 2024 (The "Closing date"), the Company closed a purchase transaction with the shareholders of Acroname Inc. ("Acroname"), a US company specializing in advanced automation and control technologies, to acquire 100% of its equity, for a total cash consideration of \$9.1 million, of which \$1.3 in consideration of the amount of cash held by Acroname at closing. In addition, the Company shall be obligated to pay Acroname's former shareholders earnout payments of up to \$7.2 million in cash, of which payment of \$1.5 million upon completion of a development of a certain product by June 2026, and the remaining payment depending on the achievement of certain revenue, EBITDA and cashflow targets in 2024 and 2025. In 2025, The revenues, EBITDA and cashflow targets were met (please refer to note 10).

The following table summarizes the fair value of the consideration transferred to Acroname shareholders:

	U.S. dollars in thousands
Cash payment	9,160
Fair value of earnout liability (*)	2,036
Total consideration	11,196

(*) The Company recorded earn out liability in connection with its business combination at fair value on the acquisition date.

The results of operations of Acroname have been included in the consolidated financial statements since the Closing date. The amounts of revenues and net loss related to Acroname that are included in the Company's consolidated statements of operations and comprehensive loss for the period starting from the Closing date to December 31, 2024, are \$3,359 thousand and \$780 thousand, respectively (including amortization of tangible and intangible assets in the amount of \$686 thousands).

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - BUSINESS COMBINATION (continued):

The Company accounted for the transaction in accordance with Accounting Standard Codification (“ASC”) 805, Business Combinations, and following the transaction, the Company consolidates all assets and liabilities included in the transaction in accordance with ASC 810, Consolidation.

The following table summarizes the purchase price allocation to the fair value of the assets acquired and liabilities assumed:

	Allocation of Purchase Price U.S. dollars in thousands
Cash and cash equivalents	1,360
Accounts Receivables	294
Inventory (1)	2,635
Other current assets	123
Property and equipment	25
Operating lease right-of-use assets	650
Core Technology (2)	4,653
Customer relationships (3)	597
Goodwill (4)	1,847
Total assets acquired	12,184
Operating leases liabilities	(650)
Other liabilities	(338)
Total liabilities assumed	(988)
Net assets acquired	11,196

- (1) The estimated fair value of the finished goods inventory was deriving from its cost value, as of the valuation date, with the addition of the gross profit of Acroname, and after deducting the direct selling expenses with relation to the inventory, and the marketing profit.
- (2) The acquired company is deemed to have an underlying technology of a value, through its continued use or re-use in many products or many generations of a singular product (a product family). The fair value of Core Technology was estimated by applying the income approach, specifically the Multi Period Excess Earnings method. Core Technology is amortized over a period of 5.6 years. The discount rate for Acroname’s technology was estimated at 25.3% reflecting the WACC.
- (3) The fair value of the Customer relationships was estimated by applying the income approach, specifically the distributor method. The Customer relationships are amortized over a period of 5.6 years. The discount rate for Acroname’s Customer relationships was estimated at 25.3% reflecting the WACC.
- (4) Goodwill is primarily related to the workforce, expected synergies such as potential cost savings in operations as a result of the business combination as well as potential future development of the mutual development projects. The goodwill is deductible for tax purposes. All of the \$1,847 thousand of goodwill was assigned to a separate reporting unit within the CIB segment.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - BUSINESS COMBINATION (continued):

The following unaudited pro forma summary presents consolidated information of the Company as if the business combination had occurred on January 1, 2023. The pro forma results below include the impact of certain adjustments related to the amortization of tangible and intangible assets, transaction-related costs, and the related income tax effects. This pro forma presentation does not include any impact from transaction synergies or any other material, nonrecurring adjustments directly attributable to the business combination.

	Unaudited Pro-forma For the Year ended December 31	
	2024	2023
	U.S. dollars in thousands	
Revenues	60,703	89,844
Net loss	(36,035)	(21,599)

NOTE 4 - INVENTORIES:

	December 31	
	2025	2024
	U.S. dollars in thousands	
Work in process	5,008	4,547
Finished goods	5,109	5,608
	10,117	10,155

Inventories write-downs amounted to \$115 thousand, \$867 thousand and \$1,097 thousand during the years ended December 31, 2025, 2024 and 2023, respectively. Inventories write-downs are recorded in cost of revenues.

NOTE 5 - PROPERTY AND EQUIPMENT, NET:

	December 31	
	2025	2024
	U.S. dollars in thousands	
Cost:		
Electronic and laboratory equipment	5,804	5,575
Furniture and office equipment	418	418
Leasehold improvements	1,261	726
Production equipment	2,239	1,840
Computers and software	5,245	4,933
Advances on account of property and equipment	-	305
	14,967	13,797
Less: accumulated depreciation	(12,066)	(10,242)
Property and equipment, net	2,901	3,555

Depreciation expenses were \$1,824 thousand, \$1,637 thousand and \$1,632 thousand for the years ended December 31, 2025, 2024 and 2023, respectively.

During the years ended December 31, 2025, 2024 and 2023, there were no impairments of property and equipment.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LEASES:

Lease agreements:

As of December 31, 2025, the Company has several operating lease agreements for its facilities and vehicles as follows:

Vehicles:

The Company rents motor vehicles for use by some of its employees under operating lease agreements with lease terms of three years. As collateral for the cars' lease agreements, the Company pays in advance the fee for the last month under the lease agreement.

As of December 31, 2025, the Company is engaged with car lease companies for leasing of 27 vehicles. The monthly payments for those agreements are approximately \$32 thousand.

Offices:

The Company's corporate headquarters are located in Hod-Hasharon, Israel, consisting of approximately 5,500 square meters of facility space.

During April 2024, the Company signed an amendment to the lease agreement for its office space in Hod-Hasharon, Israel, which extends the lease term through February 28, 2029. This amendment also provides the Company with an option to extend the lease period by additional two years until February 28, 2031.

The Company concluded that it is reasonably certain that it will exercise the renewal option. Accordingly, such renewal option was included in determining the lease term. The total monthly rent payment of those leases is approximately \$139 thousand.

The Company has entered into various operating leases for office buildings in other territories. The total monthly rent payment of those leases is approximately \$26 thousand.

The table below presents the effects on the amounts relating to the Company's total lease costs:

	Year ended on December 31,	
	2025	2024
	U.S. dollars in thousands	
Operating lease cost:		
Fixed Payment	2,095	2,088

The table below presents supplemental cash flow information related to operating leases:

	Year ended on December 31,	
	2025	2024
	U.S. dollars in thousands	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	1,899	1,886
Right-of-use assets obtained in exchange for lease obligations (non-cash):		
Operating lease liabilities arising from obtaining operating right-of-use assets	673	6,094

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LEASES (continued):

The table below presents supplemental balance sheet information related to operating leases:

	December 31,	
	2025	2024
	U.S. dollars in thousands	
Operating lease right-of-use assets	6,901	7,458
Current maturities of operating leases	1,526	975
Non-current operating leases	6,717	6,645
Total operating lease liabilities	8,243	7,620
Weighted average remaining lease term (years)	4.65	5.76
Weighted annual average discount rate	11.58%	11.65%

The table below presents maturities of operating lease liabilities:

	December 31, 2025
	U.S. dollars in thousands
2026	2,304
2027	2,211
2028	1,955
2029 and forward	4,056
Total operating lease payments	10,526
Less: imputed interest	(2,283)
Present value of lease liabilities	8,243

NOTE 7 - INTANGIBLE ASSETS:

The identifiable intangible assets were recorded as follows:

	Estimated Useful life	December 31	
		2025	2024
		U.S. dollars in thousands	
Cost:			
Core technology	5.58	4,653	4,653
Customer relationships	5.58	597	597
		5,250	5,250
Less - accumulated amortization		1,488	548
Intangible assets, net		3,762	4,702

Amortization of intangible assets for each of the next four years and thereafter is expected to be as follows:

2026	941
2027	941
2028	941
2029	939
Total	3,762

Amortization expenses of intangible assets were \$941 thousand \$548 and thousand for the years ended December 31, 2025 and 2024, respectively.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - OTHER CURRENT LIABILITIES:

	December 31	
	2025	2024
	U.S. dollars in thousands	
Accrued vacation	3,707	3,166
Taxes payable	347	31
Estimated accrual for a certain batch production incident (please refer to Note 11d)	1,726	2,182
Derivative liabilities	-	605
Accrued expenses	1,274	1,738
Revenue Earnout payables (please refer to Note 10)	1,962	-
Other	114	662
	9,130	8,384

NOTE 9 - FORFEITURE SHARES

On the Merger Closing Date, the Company issued to the PTK’s sponsor 2,875,000 Ordinary Shares. 35% of the Valens Ordinary Shares that the PTK sponsor received in respect of its PTK common stock (i.e., 1,006,250 Ordinary Shares), are subject to forfeiture if certain price targets for the Valens Ordinary Shares are not achieved within a certain period of time after the Merger Closing Date (of up to four years) or if an M&A Transaction (as defined in the Merger Agreement), does not occur at a certain minimum price (the “Forfeiture Shares”). Such Forfeiture Shares are classified as a liability and presented at fair value, although they are considered outstanding shares and are entitled to voting rights and distributions (please refer in addition to Note 2(z)). The Company performed a Monte-Carlo simulation to calculate the fair value of such shares.

On September 30, 2024, 646,875 Ordinary Shares were forfeited because the specified price targets were not met.

On September 30, 2025, 359,375 Ordinary Shares were forfeited because the specified price targets were not met.

As of December 31, 2025, there are no remaining Forfeiture Shares.

The fair value of the Forfeiture Shares was computed using the following key assumptions:

	December 31, 2024
Stock price	2.60
Expected term (years)	0.75
Expected volatility	63.84%
Risk-free interest rate	4.20%

The table below sets forth a summary of the changes in the fair value of the Forfeiture Shares classified as Level 3:

	Year ended December 31,		
	2025	2024	2023
	U.S. dollars in thousands		
Balance at beginning of year	1	38	1,751
Changes in fair value	(1)	(37)	(1,713)
Balance at end of year	-	1	38

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - EARNOUT LIABILITY

With respect to the Acroname's acquisition (See also note 3), The Company shall be obligated to pay Acroname's former shareholders earn out payments of up to \$7.2 million, of which an amount of \$1.5 million upon completion of a development of a certain product by June 2026 (The "Joint Product Earnout"), and the remaining amount depending on the achievement of certain revenue, EBITDA and cashflow targets in 2024 and 2025 (The "Revenue Earnout"). These earn out payments are expected to be paid during 2026, in case targets are met.

The Company recorded earnout liability in connection with these payments at fair value on the acquisition date.

Each reporting period thereafter, the Company revalues the earn-out liability and records the changes in their fair value in the consolidated statements of operations and comprehensive income.

Changes in the fair value of earnout liability can result from adjustments to the discount rates, revenues, profitability targets and achievement of mutual development project. This fair value measurement represents Level 3 measurements, as they are based on significant inputs not observable in the market. Significant judgment is required in determining the assumptions utilized as of the acquisition date and for each subsequent period.

As of December 31, 2024, the fair value of the earnout liability was computed using the Monte-Carlo simulation with the following key assumptions: discount rate of 20.7%-22.8%, expected term of 1.0-1.5 years, expected volatility of 48.09% and risk-free interest rate of 4.16%.

As of December 31, 2025, after achieving the revenue, EBITDA and cash flow targets, the Company calculated the Revenues Earnout according to the actual revenues achieved during the period starting from the Closing date and until December 31, 2025. The Revenues Earnout which is expected to be paid, amounting to \$1,962 thousand, was included in the other current liabilities.

As of December 31, 2025, the Company calculated the Joint Product Earnout using the probability that the targets will be achieved, a discount rate of 13.22% and expected term of 0.5 years.

The following table summarizes the activity for the earnout liability, where fair value measurement is estimated utilizing Level 3 inputs:

	Year ended December 31,	
	2025	2024
	U.S. dollars in thousands	
Fair value at the beginning of the year	2,413	-
Initial recognition of earnout liability	-	2,036
Reclassification of Revenues Earnout to other current liabilities	(1,962)	-
Change in fair value of earnout liability	(169)	377
Fair value at the end of the year	282	2,413

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES:

a. Royalties:

In addition to its own intellectual property, the Company also embeds certain off the shelf technologies (Intellectual Property ("IP")) licensed from third parties in its chip technology.

These are typically non-exclusive contracts provided under royalty-accruing and/or paid-up licenses. Once deployed in the Company's products, such licenses for commercial use are generally perpetual.

Royalty arrangements with certain vendors vary between 0.25%-3.5% of net revenue per chip plus additional royalties of up to \$0.1 per chip.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):

The royalties' expenses totaled \$588 thousand, \$412 thousand and \$725 thousand for the years ended December 31, 2025, 2024 and 2023, respectively. The royalties were recorded as part of cost of revenues.

b. The Israel Innovation Authority (formerly known as "Office Of Chief Scientist")

Until 2016, the Company received grants from the Israel Innovation authority ("IIA") for participation in research and development costs of the Company's. The IIA grants were recognized when grants were received and presented as a deduction from research and development expenses. The Company repaid the IIA all its liability for the received grant.

While the Company has no outstanding obligation to the IIA, the Company is still subject to the provisions of the Research and Development law in Israel.

c. Noncancelable Purchase Obligations

The Company depends upon third party subcontractors for manufacturing of wafers, packaging and final tests. As of December 31, 2025, and 2024, the total value of open purchase orders for such manufacturing contractors was approximately \$5,333 thousand and \$8,044 thousand, respectively.

The Company has non-cancellable purchase agreements for certain IP embedded in the Company's products, as well as certain agreements for the license of development tools used by the development team. As of December 31, 2025, and 2024, the total value of non-paid amounts related to such agreements totaled \$5,015 thousand and \$2,349 thousand, respectively.

d. Legal proceedings

As of December 31, 2025, and 2024, the Company is not a party to, or subject to the provisions of any order, writ, injunction, judgment or decree of any court or governmental agency or instrumentality. There is no material action, suit, proceeding or investigation by the Company currently pending or that the Company intends to initiate.

On March 26, 2024, the Company received a complaint from a customer regarding allegedly damaged chips due to a certain batch production incident that customer embedded in its product. The company identified and remedied the production process.

On September 10, 2024, the customer sent a cost claim letter in the amount of 2,096 thousand Euro (\$2,182 thousand as of December 31, 2024).

In 2024, the Company recorded a relevant provision in its books, within its other current liabilities. Relevant expenses were recorded in the general and administrative expenses. As of December 31, 2024, the Company believed that it will be able to obtain reimbursement from its product liability insurance, however since there was no certainty that the Company will be able to recure the expenses amount from the insurance company, the Company did not record an asset in its books.

In June 2025, following the ongoing discussions with the customer and updated indications, the Company decreased the provision in its financial statements by \$323 thousand. The reversal of the provision was recorded in the general and administrative expenses.

In October 2025, the insurance company provided a draft release and discharge agreement to be signed by the Company, the customer, and the insurer. Subject to the final execution of such agreement by all parties, the insurance company will pay the customer \$1,726 thousand, less a \$250 thousand retention amount to be paid by the Company, as final settlement of the claim.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES (continued):

Based on the progress achieved and the insurance company's written confirmation of its intent to settle, management determined that the realization of the reimbursement from the insurer is probable and the amount is reasonably estimable. Accordingly, the Company recognized in September 2025 an insurance recovery asset of \$1,476 thousand (representing the expected reimbursement from the insurer). The related income was recognized within general and administrative expenses in the consolidated statement of operations.

In December 2025, following the draft release and discharge agreement, and the customer's feedback to this letter, the Company decreased the provision in its financial statements by additional \$412 thousand. Reversal of the provision was recorded in the general and administrative expenses.

As of December 31, 2025, the provision amounted to \$1,726 thousand, while the insurance recovery asset amounted to \$1,476 thousand. The remaining difference of \$250 thousand reflects the retention amount to be paid by the Company.

NOTE 12 - DERIVATIVES AND HEDGING

Derivatives

Generally accepted accounting principles require all derivatives, whether designated in a hedging relationship or not, to be recorded on the balance sheet at fair value. These derivative instruments are measured at fair value within Level 2 of the fair value hierarchy. The Company's earnings and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. The Company's foreign currency risk management strategy is principally designed to mitigate the future potential financial impact of changes in the U.S. Dollar value of anticipated transactions and balances denominated in ILS resulting from changes in USD/ILS exchange rates. The Company entered into derivative transactions, specifically foreign currency forward contracts, to manage its exposure to foreign currency exchange risk to reduce earnings volatility. The Company does not enter into derivative transactions for trading or speculative purposes.

Non-Designated Hedges

The Company hedges its foreign currency monetary assets primarily resulting from foreign currency denominated short-term deposits with foreign exchange forward contracts to reduce the risk that the Company's earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. These contracts have maturities of up to approximately 12 months. Generally, The Company does not designate these foreign currency forward contracts as hedges for accounting purposes and changes in the

fair value of these instruments are recognized immediately in earnings. Any gains or losses on the underlying foreign-denominated balance are offset by the losses or gains on the forward contract. Derivative instruments are recorded as other current assets or other current liabilities.

As of December 31, 2025 the derivative instruments are recorded as other current assets. Gains and losses on forward contracts and foreign denominated deposits are included in financial income, net. The cash flows associated with these derivatives are classified in the consolidated statements of cash flows consistently with the classification of the underlying hedged transaction within cash flows from investing activities.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - DERIVATIVES AND HEDGING (continued):

As of December 31, 2025 and 2024 we had outstanding forward contracts not designated as hedging instruments with notional amounts and fair value amounts equivalent to the following:

Currency Hedged	Year ended December 31,	
	2025	2024
	U.S. dollars in thousands	
Israeli Shekel / U.S. Dollar	311	20,038
Fair value of derivatives assets	2	1
Fair value of derivatives liabilities	-	605

The following table shows the effect of our non-designated hedges, including forward contracts, on the Consolidated Statements of Operations for the years ended December 31, 2025 and 2024:

	Location of Loss	Year ended December 31,	
		2025	2024
		U.S. dollars in thousands	
Net realized and unrealized loss, excluding the underlying foreign currency exposure being hedged	Financial income, net	(651)	(609)

In 2025 and 2024, foreign currency profit, net was \$781 and \$117 thousand respectively.

Designated Hedges

During the fourth quarter of 2024 the Company initiated a foreign currency cash flow hedging program, designed to hedge the Company's foreign exchange rate risk, resulting from ILS payroll expenses. The Company hedges portions of its forecasted payroll payments denominated in ILS for a period of up to 12 months, using forward contracts that are designated as cash flow hedges, as defined by ASC 815. Derivative instruments are recorded as other current assets according to the timing of the cash flows. As of December 31, 2025 the derivative instruments are recorded as other current assets. For these derivative instruments, designated as a cash flow hedge, gains and losses are reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the hedged transaction and in the same period or periods during which the hedged transaction affects the statement of operations. As of December 31, 2025, the Company expects to reclassify all of its unrealized gains and losses from accumulated other comprehensive income to earnings during the next twelve months. The cash flows associated with these derivatives are classified in the consolidated statements of cash flows consistently with the classification of the underlying hedged transaction, within cash flows from operating activities.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - DERIVATIVES AND HEDGING (continued):

The notional amount and fair value of outstanding derivatives at the end of each period were:

	December 31	
	2025	2024
	U.S. dollars in thousands	
Notional amount of foreign currency contracts	10,921	20,061
Fair value of foreign currency contracts	429	601

The change in accumulated other comprehensive income relating to gains or losses on derivatives used for hedging was as follows:

	Year ended December 31,	
	2025	2024
	U.S. dollars in thousands	
Other comprehensive income (loss) before reclassifications	1,936	677
Amounts reclassified out of accumulated other comprehensive income (*)	(2,108)	(76)
Other comprehensive income (loss), net	(172)	601

(*) Amounts of gains reclassified from other comprehensive income into profit or loss are recorded in cost of revenue and operating expenses. In the Year ended December 31, 2025, \$95 thousand, \$1,283 thousand, \$429 thousand and \$301 thousand were recorded in cost of revenue, research and development, sales and marketing and general and administrative expenses, respectively. In the Year ended December 31, 2024, \$3 thousand, \$49 thousand, \$15 thousand and \$9 thousand were recorded in cost of revenue, research and development, sales and marketing and general and administrative expenses, respectively.

NOTE 13 - SHAREHOLDERS EQUITY:

- a. Ordinary Shares confer to holders the right to receive notice to participate and vote in the general meetings of the Company, to appoint directors and the right to receive dividends if declared.
- b. Warrants: as a result of the Merger Agreement Closing described in note 1(a), and upon consummation of other transactions contemplated by the Merger Agreement Closing (the “Transactions”), PTK became a wholly owned subsidiary of the Company, and each of the PTK Warrants (total of 18,160,000 warrants) composed of 11,500,000 Public Warrants (“Public Warrants”) and 6,660,000 Private Warrants (“Private Warrants”), automatically became a Company Warrant and all rights with respect to the PTK common stock underlying the PTK Warrants, were automatically converted into rights with respect to Company Ordinary Shares and thereupon assumed by the Company.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - SHAREHOLDERS EQUITY (continued):

Public Warrants: Each of the 11,500,000 public warrants entitles its holder to purchase one half (1/2) Valens Ordinary Share (i.e. exercisable in total to 5,750,000 Ordinary Shares), at a price of \$11.50 per one share, at any time commencing on the Merger Closing Date. Under certain conditions, Valens may call the outstanding public warrants for redemption, in whole and not in part, at a price of \$0.01 per warrant, but only if: (i) the reported last sale price of the Valens Ordinary Shares equals or exceeds \$18.00 per share for any 20 trading days within a 30-day trading period; and (ii) there is a current registration statement in effect covering the Valens Ordinary Shares underlying such warrants. If Valens calls the warrants for redemption as described above, Valens will have the option to require all holders that wish to exercise warrants to do so on a “cashless basis”.

The exercise price and number of Valens Ordinary Shares issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or a recapitalization, reorganization, merger or consolidation. The warrants will expire on September 29, 2026.

Private Warrants: Each of the 6,660,000 Private Warrants convertible into 3,330,000 Ordinary Shares of the Company, will not be redeemable by The Company, regardless of the holder’s identity. The holders have the option to exercise the Private Warrants on a cashless basis at any time into Valens Ordinary Shares. Except as described above, the Private Warrants have terms and provisions that are identical to those of the Public Warrants, including as to exercise price, exercisability and exercise period.

Both the Public Warrants and Private Warrants, are publicly-traded as of the Merger Closing Date.

- c. On December 27, 2024 the Company initiated a share repurchase program (the – “Buyback”), at an aggregate amount of up to \$10 million. As of December 31, 2025, the Company has repurchased in the open market a total of 3,302,194 shares at a total consideration of \$10 million (of which a total of 625,682 shares at a total consideration of \$1.6 million were repurchased in 2024).

On February 11, 2025, the Company initiated a second share repurchase program (the – “Second Buyback”), at an aggregate amount of up to \$15 million. During 2025, the Company has repurchased in the open market a total of 6,151,225 shares at a total consideration of \$15 million.

Overall, in the framework of the Buyback and the Second Buyback, the Company repurchased a total amount of 9,453,419 Ordinary Shares, for a total amount of \$25 million.

As of December 31, 2025, 6,151,225 shares were formally cancelled and retired from the Company’s issued share registration.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - STOCK-BASED COMPENSATION:

In September 2021, the Company adopted the “Valens Semiconductor Ltd. 2021 Share Incentive Plan”.

The Company’s stock options have a term of 7-10 years from grant date unless extended by the Board of Directors. The granted options generally vest as follows: 25% on the first anniversary from the “Vesting Start Date” as defined in the grant agreement and remainder vest ratably over the following 12 quarters.

The granted RSUs generally vest as follows: 25% on the first anniversary from the “Vesting Start Date” as defined in the grant agreement and remainder vest ratably over the following 12 quarters.

During 2025, the Company added 8,866,374 Ordinary Shares to the Ordinary Shares pool reserved for issuance (5,208,032 Ordinary Shares in 2024). As of December 31, 2025, and 2024, the number of Ordinary Shares included in the Company’s stock incentive plans totaled to 44,740,618 and 35,874,244, respectively.

During 2024, the Company extended the expiration date of 1,210,661 fully vested outstanding stock options that were supposed to expire during 2025. The Company recorded expenses in the amount of \$136 thousand, in the year ended on December 31, 2024. These expenses represent the incremental fair value on the modification date.

Stock Options

5,106,333 out of the outstanding options that have not yet vested as of December 31, 2025, have acceleration mechanisms according to certain terms set forth in the grant agreements primarily in the case of an M&A Transaction which constitutes a Liquidation Event.

As of December 31, 2025, the unrecognized compensation costs related to those unvested stock options are \$3,347 thousand, which are expected to be recognized over a weighted-average period of 3.43 years.

The following is a summary of the Company’s share option plans status as of December 31, 2025, as well as changes during the year:

	December 31, 2025	
	Number of	Weighted-
	Options	Average
		Exercise price
Options outstanding at the beginning of the year	10,569,170	\$ 1.07
Granted during the year	6,786,385	\$ 2.78
Exercised during the year	(1,262,732)	\$ 0.72
Expired during the year	(108,324)	\$ 0.45
Forfeited during the year	(126,643)	\$ 3.27
Outstanding at the end of the year	15,857,856	\$ 1.81
Options exercisable at year-end	9,188,779	\$ 1.10

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - STOCK-BASED COMPENSATION (continued):

The following table summarizes information about share options outstanding as of December 31, 2025:

Outstanding as of December 31, 2025					Exercisable as of December 31, 2025			
Range of exercise prices	Number outstanding	Weighted average remaining contractual term	Weighted average exercise price	Aggregate intrinsic value (U.S. dollars in thousands)	Number Exercisable	Weighted average remaining contractual term	Weighted Average exercise price	Aggregate intrinsic value (U.S. dollars in thousands)
\$ 0.15-\$0.86	8,288,280	3.31	0.82	4,982	8,281,591	3.30	0.82	4,979
\$ 1.87	3,313	5.03	1.87	-	3,313	5.03	1.87	-
\$ 2.00-\$2.13	2,405,710	6.93	2.00	-	23,212	5.75	2.13	-
\$ 2.27	1,224,460	6.49	2.27	-	3,913	6.68	2.27	-
\$ 2.39-\$2.41	839,011	5.59	2.40	-	531,933	5.44	2.40	-
\$ 3.25	1,350,000	6.96	3.25	-	-	-	-	-
\$ 4.25	1,350,000	6.96	4.25	-	-	-	-	-
\$ 4.99	182,395	4.04	4.99	-	147,630	4.04	4.99	-
\$ 5.36	140,000	3.50	5.36	-	122,500	3.50	5.36	-
\$ 7.58	71,150	3.04	7.58	-	71,150	3.04	7.58	-
\$ 9.07	3,537	2.96	9.07	-	3,537	2.96	9.07	-

The following assumptions were used for options granted during the year in order to estimate the fair value of stock-based compensation awards:

	2025	2024
Expected term	4-5	4-5
Expected volatility	59.63%-65.99%	57.53%-58.56%
Expected dividend rate	0 %	0 %
Risk-free rate	3.62%-4.36 %	3.55%-3.92 %

During 2025, 2024 and 2023, 5,886,385, 479,505 and 300,750 options, respectively, were granted to several related parties (please refer to Note 19 regarding Related Parties).

As of December 31, 2025, the unrecognized compensation costs related to unvested stock options totaled to \$4,709 thousand, which are expected to be expensed over a weighted-average period of 3.25 years.

The weighted-average fair value of the options that were granted during the years ended December 31, 2025, 2024 and 2023 was \$2.78, \$2.36 and \$3.76 at the grant date, respectively.

The total intrinsic value of options exercised during the years ended December 31, 2025, 2024 and 2023 was \$1,677, \$2,255 and \$9,390 thousand, respectively.

The following table presents the classification of the stock options expenses for the periods indicated:

	Year Ended December 31		
	2025	2024	2023
	U.S. dollars in thousands		
Cost of revenue	81	173	183
Research and development	334	963	1,158
Sales and marketing	172	829	1,120
General and administrative	881	954	2,641
Total stock-based compensation - Stock Options	1,468	2,919	5,102

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - STOCK-BASED COMPENSATION (continued):

Restricted Stock Units

The following is a summary of the status of the Company's RSU's as of December 31, 2025, as well as changes during the year:

	December 31, 2025	
	Number of	Weighted- Average Grant Date Fair Value
	RSUs	
RSUs outstanding at the beginning of the year	8,827,092	\$ 3.13
Granted during the year	4,797,929	\$ 2.99
Vested during the year	(4,272,856)	\$ 3.36
Forfeited during the year	(749,848)	\$ 2.99
Outstanding at the end of the year	8,602,317	\$ 2.95

As of December 31, 2025, the unrecognized compensation cost related to unvested RSUs totaled to approximately \$19,837 thousand and is expected to be expensed over a weighted-average recognition period of approximately 2.38 years.

During 2025, 2024 and 2023, 610,449, 871,061 and 548,849 RSU's, respectively, were granted to several related parties (please refer to Note 19 regarding Related Parties).

The following table presents the classification of RSU's expenses for the periods indicated:

	Year Ended December 31		
	2025	2024	2023
	U.S. dollars in thousands		
Cost of revenue	963	785	606
Research and development	7,304	6,050	5,141
Sales and marketing	3,782	3,049	2,399
General and administrative	3,023	2,315	1,778
Total stock-based compensation-RSUs	15,072	12,199	9,924

NOTE 15 - FINANCIAL INCOME, NET:

	Year Ended December 31		
	2025	2024	2023
	U.S. dollars in thousands		
Foreign currency exchange differences	(818)	(660)	(1,078)
Realized and unrealized losses on derivative instruments	(651)	(609)	-
Interest income on short-term deposits	4,198	6,121	6,669
Other	(109)	(57)	46
Total financial income, net	2,620	4,795	5,637

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - NET LOSS PER ORDINARY SHARE:

The following table sets forth the computation of basic and diluted net loss per Ordinary Share for the periods indicated.

	Year Ended December 31		
	2025	2024	2023
	U.S. dollars in thousands		
Basic net loss per Ordinary Share			
Numerator:			
Net loss	(31,583)	(36,583)	(19,661)
Denominator:			
Weighted average common shares and vested RSUs – basic and diluted	103,142,173	105,477,191	101,985,939
Basic and dilutive net loss per common share	(0.31)	(0.35)	(0.19)

The following weighted-average Ordinary Shares of securities and vested RSU's were not included in the computation of diluted net loss per common share as their effect would have been antidilutive:

	2025	2024	2023
Options	11,404,264	10,948,057	12,233,173
Restricted Stock Units	10,635,082	7,134,703	5,844,514
Private Warrants	3,330,000	3,330,000	3,330,000
Public Warrants	5,750,000	5,750,000	5,750,000
Forfeiture Shares	269,531	682,813	1,006,250

NOTE 17 - INCOME TAXES:

a. Basis of taxation

Current tax is calculated with reference to the profit of the Company and its subsidiaries in their respective countries of operation. Set out below are details in respect of the significant jurisdictions where the Company and its subsidiaries operate and the factors that influenced the current and deferred taxation in those jurisdictions:

Israel

Valens Ltd. is taxed under the laws of the State of Israel at a corporate tax rate of 23%. In 2025, 2024 and 2023, Valens Ltd. is at a losses position and therefore has no corporate tax liability. As of December 31, 2025, 2024 and 2023, Valens Ltd. has a carry forward loss of approximately \$124 million, \$107 million and \$93 million, respectively. Such carry forward loss has no expiration date. During 2023, Valens was taxed in the New Israeli Shekel ("NIS"), which is different from its functional currency (U.S. Dollar). As of 2024, Valens is taxed in U.S. Dollar. The change in the Company's NOLs for tax purposes is partly resulted by such rate differences.

United States

The principal federal tax rate applicable to the U.S. subsidiaries is 21%.

With respect to Valens Semiconductor Inc., is also subject to state taxes at the following rates: 8.84% in California, 9.8% in Minnesota and 0.75% in Texas.

With respect to Acroname Inc., it is also subject to state taxes at the following rates: 4.4% in Colorado.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - INCOME TAXES (continued):

As of December 31, 2025, Valens Merger Sub, Inc. (formerly PTK) has a carry forward loss of approximately \$3.5 million. Such carry forward loss is subject to the 382 limitation and has no expiration date.

Japan

The effective principal corporate tax rate applicable to the Japanese subsidiary is 36%.

Germany

The effective principal corporate tax rate applicable to the German subsidiary is 30%.

China

The effective principal corporate tax rate applicable to the Chinese subsidiary for is 5%.

b. Income (loss) Before Income Taxes:

Income (loss) before income taxes consisted of the following for the periods indicated:

	Year Ended December 31		
	2025	2024	2023
	U.S. dollars in thousands		
Domestic (Israel)	(30,743)	(35,290)	(20,291)
Foreign	(691)	(1,220)	724
Loss before taxes on income	(31,434)	(36,510)	(19,567)

c. Income tax expenses consisted of the following for the periods indicated:

	Year Ended December 31		
	2025	2024	2023
	U.S. dollars in thousands		
Domestic (Israel)	115	58	45
Foreign	43	38	67
Income tax expenses	158	96	112

d. Taxes on Income:

Taxes on income for the years ended December 31, 2025, 2024 and 2023 were comprised of the following:

	Year ended December 31		
	2025	2024	2023
	U.S. dollars in thousands		
Current:			
Domestic (Israel)	115	58	45
Foreign	43	38	67
Total	158	96	112
Deferred:			
Domestic	-	-	-
Foreign	-	-	-
Total	-	-	-
Income tax expenses	158	96	112

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - INCOME TAXES (continued):

A reconciliation of the Company's theoretical income tax expense to actual income tax expense is as follows:

	Year ended December 31,					
	2025		2024		2023	
	Amount	Percent	Amount	Percent	Amount	Percent
	U.S. Dollars in thousands (except for percentage)					
IL Statutory Tax Rate	(7,230)	23.0%	(8,397)	23.0%	(4,500)	23.0%
Foreign Tax Effect	199	(0.6)%	318	(0.9)%	(60)	0.3%
Changes in Valuation Allowance	6,224	(19.8)%	7,462	(20.4)%	3,819	(19.5)%
Nontaxable or Nondeductible Items						
Share-based payment awards	798	(2.5)%	671	(1.8)%	1,174	(6)%
Forfeiture Shares	-	-	-	-	(394)	2%
Other	23	(0.1)%	16	(0.0)%	28	(0.1)%
Other Adjustments	144	(0.5)%	26	(0.1)%	45	(0.2)%
Effective Tax Rate	158	(0.5)%	96	(0.3)%	112	(0.6)%

e. Cash paid for income taxes, net of refunds, were as follows:

	Year Ended December 31		
	2025	2024	2023
	U.S. dollars in thousands		
Domestic (Israel)	48	44	252
Foreign			
USA	47	19	4
Japan	62	52	30
Other countries	6	7	7
Total cash paid for income taxes, net of refunds	163	122	293

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - INCOME TAXES (continued):

f. Deferred Tax Assets and Liabilities:

The components of the Company's deferred tax assets and liabilities as of December 31, 2025, and 2024 were as follows:

	December 31	
	2025	2024
	U.S. dollars in thousands	
Deferred tax assets:		
Tax loss carryforwards	29,196	28,453
Research and development	7,612	5,617
Employee and payroll accrued expenses	788	701
Operating lease liabilities	1,788	1,545
Share-based compensation	7,824	4,974
Derivative liabilities	-	139
Intangible assets	196	72
Other	38	37
Total deferred tax assets	47,442	41,538
Deferred tax liabilities:		
Goodwill	41	15
Derivative assets	99	138
Operating lease right-of-use assets	1,482	1,509
Total deferred tax liabilities	1,622	1,662
Total deferred tax assets, net	45,820	39,876
Less valuation allowance for deferred tax assets	(45,820)	(39,876)
Deferred tax assets	-	-

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considered all available evidence, including past operating results, the most recent projections for taxable income, and prudent and feasible tax planning strategies.

The Company reassess its valuation allowance periodically and if future evidence allows for a partial or full release of the valuation allowance, a tax benefit will be recorded accordingly.

As of December 31, 2025, and 2024, the Company has recorded a full valuation allowance of \$(45,820) and \$(39,876) thousand with regard to its deferred taxes (which is mainly tax loss carryforwards) generated in Israel, respectively.

The change in valuation allowance for the years ended December 31, 2025, 2024 and 2023 was \$(5,944) thousand, \$(7,282) thousand and \$(1,042) thousand, respectively.

g. Uncertain tax positions

The Company implement a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company do not have any material liabilities in any reported periods regarding uncertain tax positions. The Company classify interest and penalties recognized related to our uncertain tax positions within income taxes on the consolidated statements of operations and comprehensive loss.

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - INCOME TAXES (continued):

h. Tax assessments

The Israeli entity's income tax assessments are considered final through 2020.

The US subsidiary's income tax assessments are considered final through 2021.

NOTE 18 - SEGMENT AND REVENUE BY GEOGRAPHY AND BY MAJOR CUSTOMER:

- a. The chief operating decision maker (the "CODM") is the Company's Chief Executive Officer, who makes resource allocation decisions and assesses performance based on financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues, gross profit and operating loss by the two identified reportable segments. The Company's business includes two operating segments based on the two markets the Company serves:

Cross Industry Business: The Company's solutions for the non-automotive verticals, including audio-video, industrial, machine vision and medical markets, that deliver superior, plug-and-play convergence and distribution of different interfaces, through a single long-distance category cable.

Automotive: Valens Automotive delivers safe & resilient high-speed in-vehicle connectivity for advanced car architectures, realizing the vision of connected and autonomous cars.

For the purpose of evaluating financial performance and allocating resources, the CODM reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues, gross profit and operating loss by the two identified reportable segments, to make decisions about resources to be allocated to the segments and assess their performance. Assets information is not provided to the CODM and is not reviewed. Revenues and cost of goods sold are directly associated with the activities of a specific segment. Direct operating expenses, including general and administrative expenses, associated with the activities of a specific segment are charged to that segment. General and administrative expenses which cannot be attributed directly, are allocated evenly between segments. Other operating expenses are allocated to segments based on headcount ratio.

The CODM monitors the gross profit of each segment to analyze fluctuations relative to prior periods (cost reductions, change in product mix etc.).

The CODM uses segment operating profit (loss) to evaluate income (loss) in deciding whether to reinvest profits into the segment. Segment operating profit (loss) is used to monitor budget versus actual results, in order to assess the performance of the segment.

	Year ended December 31, 2025		
	CIB	Automotive	Consolidated
	U.S. dollars in thousands		
Revenues	51,655	18,970	70,625
Cost of revenues	(16,493)	(10,047)	(26,540)
Gross profit	35,162	8,923	44,085
Research and development expenses	28,634	14,021	42,655
Sales and marketing expenses	12,025	9,365	21,390
General and administrative expenses	8,911	5,353	14,264
Change in earnout liability	(169)	-	(169)
Segment operating loss	(14,239)	(19,816)	(34,055)
Change in fair value of Forfeiture Shares			1
Financial income, net			2,620
Loss before taxes on income			(31,434)
Depreciation and Amortization expenses	2,095	885	2,980
Stock-based compensation	9,072	7,468	16,540

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - SEGMENT AND REVENUE BY GEOGRAPHY AND BY MAJOR CUSTOMER (continued):

	Year ended December 31, 2024		
	CIB	Automotive	Consolidated
	U.S. dollars in thousands		
Revenues	36,291	21,568	57,859
Cost of revenues	(10,536)	(13,046)	(23,582)
Gross profit	25,755	8,522	34,277
Research and development expenses	23,795	16,680	40,475
Sales and marketing expenses	8,936	9,366	18,302
General and administrative expenses	7,922	8,543	16,465
Change in earnout liability	377	-	377
Segment operating loss	(15,275)	(26,067)	(41,342)
Change in fair value of Forfeiture Shares			37
Financial income, net			4,795
Loss before taxes on income			(36,510)
Depreciation and Amortization expenses	1,619	927	2,546
Stock-based compensation	6,927	8,191	15,118
	Year ended December 31, 2023		
	CIB	Automotive	Consolidated
	U.S. dollars in thousands		
Revenues	57,411	26,750	84,161
Cost of revenues	(13,149)	(18,420)	(31,569)
Gross profit	44,262	8,330	52,592
Research and development expenses	25,620	22,551	48,171
Sales and marketing expenses	7,410	9,904	17,314
General and administrative expenses	7,062	6,962	14,024
Segment operating profit (loss)	4,170	(31,087)	(26,917)
Change in fair value of Forfeiture Shares			1,713
Financial income, net			5,637
Loss before taxes on income			(19,567)
Depreciation expenses	816	816	1,632
Stock-based compensation	6,928	8,098	15,026

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - SEGMENT AND REVENUE BY GEOGRAPHY AND BY MAJOR CUSTOMER (continued):

b. Geographic Revenues

The following table shows revenue by geography, based on the customers' "bill to" location:

	Year Ended December 31		
	2025	2024	2023
	U.S. dollars in thousands		
Domestic (Israel)	470	696	3,086
China	10,612	9,328	9,578
Hong Kong	9,134	5,630	7,211
Portugal	9,181	7,768	1,386
United States	9,640	7,723	7,330
Germany	2,595	2,423	8,347
Hungary	9,023	12,634	21,126
Other	19,970	11,657	26,097
	70,625	57,859	84,161

c. Supplemental data - Major Customers:

The following table summarizes the significant customers' (including distributors) accounts receivable and revenues as a percentage of total accounts receivable and total revenues, respectively:

	December 31	
	2025	2024
	% of Account Receivable	
Accounts Receivable		
Customer A	16%	14%
Customer B	15%	18%
Customer C	15%	16%
Customer D	10%	14%
Customer E	10%	4%

	Year Ended December 31		
	2025	2024	2023
	% of Revenues		
Revenues			
Customer A	13%	13%	2%
Customer C	11%	10%	8%
Customer D	7%	15%	17%
Customer F	3%	6%	11%

d. Long-lived assets by Geography:

	December 31		
	2025	2024	2023
	U.S. dollars in thousands		
Domestic (Israel)	8,657	9,482	4,419
China	138	314	176
USA	871	931	139
Other	136	286	422
	9,802	11,013	5,156

VALENS SEMICONDUCTOR LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - RELATED PARTY TRANSACTIONS:

On November 2, 2025 the Company's Board approved the appointment of a new Chief Executive Officer (the "New CEO"), effective November 13, 2025. The newly appointed CEO also joined the Company's Board.

The former Chief Executive Officer held his position as a member in the Company's Board.

During the years ended December 31, 2025, 2024 and 2023, the Company granted 5,886,385 (of which 4,000,000 options to the New CEO), 479,505 and 300,750 options, respectively, at a weighted average exercise price of \$2.85, \$2.36 and \$3.76, respectively to several executive officers, and Board of Directors ("Board") members of the Company. In addition, during the years ended December 31, 2025, 2024 and 2023, the Company granted 610,449, 871,061 and 548,849 RSUs, respectively to several executive officers and Board members of the Company.

The fair value of the stock options that were granted during the year ended December 31, 2025, is \$4,292 thousand, which is expected to be recognized over a 1-4-years vesting period, and the fair value of the RSUs granted during the year ended December 31, 2025, is \$1,760 thousand, which is expected to be recognized over a 1-4-years vesting period.

NOTE 20 - SUBSEQUENT EVENTS:

- a. On January 1, 2026, the Company added 5,152,834 Ordinary Shares to the Ordinary Shares pool reserved for issuance under the Company's 2021 Share Incentive Plan.
- b. On January 28, 2026, the Company announced an operational efficiency plan that includes a workforce reduction of approximately 10%. The plan is expected to be completed in the second quarter of 2026.

Certain information in this document, designated by [***], has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) the type that the registrant treats as private or confidential.

STOCK PURCHASE AGREEMENT

BY AND AMONG

VALENS SEMICONDUCTOR, INC.

AS PURCHASER,

ACRONAME INC.

AS THE COMPANY,

THE SHAREHOLDERS OF THE COMPANY

AS SELLERS,

AND

[*]**

AS THE SELLERS' REPRESENTATIVES

CLOSING DATE: MAY 31, 2024

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GLOSSARY OF DEFINED TERMS

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STOCK PURCHASE AGREEMENT

This **STOCK PURCHASE AGREEMENT** (this “*Agreement*”), dated as of May 31, 2024, is by and among **VALENS SEMICONDUCTOR, INC.**, a Delaware corporation (“*Purchaser*”); **ACRONAME INC.**, a Colorado corporation (the “*Company*”); each of the shareholders of the Company as set forth on Annex I (“*Sellers*”); and [***] solely in their capacity as the representatives of Sellers (the “*Sellers’ Representatives*”). Each of Purchaser, the Company, Sellers and the Sellers’ Representatives is individually referred to as a “*Party*” and collectively as the “*Parties*.”

RECITALS

WHEREAS, immediately prior to the Closing, Sellers collectively own, beneficially and of record, 100% of the issued and outstanding shares of Common Stock of the Company (“*Company Stock*”);

WHEREAS, upon the terms and subject to the conditions set forth herein, Sellers desire to sell the Company Stock to Purchaser, and Purchaser desires to purchase the Company Stock from Sellers as described below;

WHEREAS, at the Closing, upon the terms and subject to the conditions set forth herein, Sellers will sell, and Purchaser will purchase, the number of shares of Company Stock set forth opposite each Seller’s name on Annex I (such shares, the “*Company Shares*”), which Company Shares include all of the issued and outstanding shares of Company Stock; and

WHEREAS, at Closing, the Company Shares represent 100% of all of the issued and outstanding shares of Company Stock as of the Closing.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Parties agree as follows:

AGREEMENTS

ARTICLE I DEFINITIONS

1.1 **Definitions.** In addition to the terms defined in the body of this Agreement, capitalized terms used herein will have the meanings given to them in Exhibit A. The Glossary of Defined Terms, which follows the Table of Contents, sets forth the location in this Agreement of the definition for each capitalized term used herein.

1.2 **Rules of Construction.**

(a) Each of the Parties acknowledges that it has been represented by independent counsel of its choice throughout all negotiations that have preceded the execution of this Agreement and that it has executed the same with consent and upon the advice of said independent counsel. Each Party and its counsel cooperated in the drafting and preparation of this Agreement and the documents referred to herein, and any and all drafts relating thereto shall be deemed the work product of the Parties and may not be construed against any Party by reason of its preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against any Party that drafted it is of no application and is hereby expressly waived.

(b) All article, section, subsection, schedule, and exhibit references used in this Agreement are to this Agreement unless otherwise specified. All schedules and exhibits attached to this Agreement constitute a part of this Agreement and are incorporated herein. Unless the context of this Agreement clearly requires otherwise: (i) the singular includes the plural and the plural includes the singular wherever and as often as may be appropriate, (ii) the words “includes” or “including” means “including without limitation,” (iii) the word “or” is not exclusive, (iv) the words “hereof,” “herein,” “hereunder”, and similar terms in this Agreement refer to this Agreement as a whole and not any particular section or article in which such words appear and (v) the words “as amended” mean “as amended from time to time.” All references to Dollars or “\$” are to United States dollars. Unless otherwise specified, all references to “days” are to calendar days.

ARTICLE II PURCHASE AND SALE

2.1 **Purchase and Sale.** Upon the terms and subject to the conditions of this Agreement, at the Closing, Sellers shall transfer, assign, and sell 100% of the issued and outstanding shares of Company Stock to Purchaser, as set forth on Annex I hereto, free and clear of any and all Liens, in exchange for the Purchase Price, as defined in Section 2.2 below.

2.2 **Purchase Price; Net Working Capital Adjustment.** As consideration for the sale of the Company Shares the purchase price shall equal (i) the sum of (A) Seven Million, Eight Hundred Thousand Dollars (\$7,800,000) and (B) the amount of Cash as of the effective time of Closing on the Closing Date (together, the “**Initial Purchase Price**”), which amount shall be payable at Closing as set forth in Section 2.3 below; provided, however, that the Initial Purchase Price shall be subject to adjustment at Closing for the Net Working Capital in the manner set forth below (such adjusted amount, the “**Closing Purchase Price**”), and (ii) the Earnout Payments, if any (together, the “**Purchase Price**”).

(a) The Initial Purchase Price shall be (i) increased by the amount, if any, by which the Net Working Capital exceeds the Target Net Working Capital, or (ii) decreased by the amount, if any, by which the Target Net Working Capital exceeds the Net Working Capital.

(b) As used herein, the following terms shall have the following meanings:

(i) “**Applicable Accounting Standards**” means GAAP, as modified by the accounting methodologies, standards, policies and procedures set forth on Exhibit B.

(ii) “**Cash**” means all cash and cash equivalents of the Company, as determined in accordance with GAAP, net of the amount necessary to cover all checks, money orders, or similar instruments of or issued by the Company or in transit (including ACH wires in transit) but not yet cleared.

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(iii) “**Net Working Capital**” means an amount equal to (x) the specific line items of current assets of the Company set forth on Exhibit B, less (y) Cash (but only to the extent included in the calculation of the Initial Purchase Price), less (z) the specific line items of current liabilities of the Company set forth on Exhibit B, determined in accordance with the Applicable Accounting Standards, in each case, determined as of the effective time of Closing on the Closing Date and in accordance with Exhibit B.

(iv) “**Target Net Working Capital**” means \$2,431,828.

(c) Prior to the Closing Date, the Parties have mutually agreed on the Net Working Capital as set forth on Exhibit B. For purposes of the Closing, the Parties have agreed to adjust the Initial Purchase Price (i) to the extent that the Net Working Capital is either higher than the Target Net Working Capital or lower than the Target Net Working Capital as set forth on the Flow of Funds. The calculation of such adjustment to the Initial Purchase Price shall be made in the manner set forth on Exhibit B.

2.3 Payments at Closing.

(a) The Initial Purchase Price (with an adjustment for the Net Working Capital in accordance with Section 2.2) shall be payable on the Closing Date in the amounts and to the Persons named below and as set forth on the Flow of Funds:

(i) Purchaser is delivering the Escrow Amounts to an account or accounts designated by the Escrow Agent, which shall be held, safeguarded and released pursuant to the terms of Section 2.4;

(ii) Purchaser is paying the estimated Sellers’ Transaction Expenses that remain unpaid as of the Closing in accordance with the Sellers’ Transaction Expenses Certificate, including any and all investment banking fees, finder’s fees, brokerage payments, success fees, or other like payments in connection with the origination, negotiation, or consummation of the transactions contemplated herein whether they apply to the Company or the Sellers;

(iii) Purchaser is paying the Outstanding Debt, in accordance with payoff letters for the amounts payable on the Closing Date;

(iv) Purchaser is paying \$50,000 into an account designated by the Sellers’ Representatives (the “**Sellers’ Expense Fund**”) in accordance with the Flow of Funds and for the purposes set forth in Section 2.7; and

(v) Purchaser is paying the remaining Closing Purchase Price to the Paying Agent (on behalf of Sellers, in accordance with their respective Payment Percentages (as defined below)).

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(b) After the Closing, all payments from the Escrow Amounts that are paid to Sellers pursuant to this Agreement shall be made to the Paying Agent to be paid to Sellers in accordance with the percentages set forth opposite their respective names on Annex I and specified on the Flow of Funds under the column titled "Payment Percentages" (the "**Payment Percentages**"), unless otherwise determined by the Sellers' Representatives to be delivered into the Sellers' Expense Fund, for the purposes set forth in Section 2.7. All payments to Sellers shall be made pursuant to wire transfer instructions provided to Purchaser and the Paying Agent by the Sellers' Representatives.

(c) Purchaser shall have no further obligations with respect to amounts paid by it hereunder (including as to the allocation thereof by or among Sellers) once any such payments are made by Purchaser in accordance with the Flow of Funds. The Parties agree that Purchaser shall be entitled to rely on the Flow of Funds in making all payments under this Agreement, and Purchaser shall not be responsible for the calculations or the determinations regarding such calculations in the Flow of Funds, or any agreed changes to the allocations among Sellers.

2.4 Escrow Amount.

(a) At the Closing, Purchaser shall deposit the Adjustment Escrow Amount and Indemnification Escrow Amount in an escrow account with PNC Bank, National Association ("**Escrow Agent**"), pursuant to an escrow agreement (the "**Escrow Agreement**") to be mutually agreed upon by the Parties.

(b) The Escrow Agreement shall require the Escrow Agent to hold the funds in the Escrow Accounts and make disbursements therefrom in accordance with the terms of this Section 2.4 and the Escrow Agreement.

(c) The Escrow Amounts in the Escrow Accounts shall be treated for Tax purposes as owned by Sellers unless and until disbursed to Purchaser in accordance with the Escrow Agreement, and any interest or other income thereon will be treated as income of Sellers. All fees and expenses associated with the Escrow Agreement shall be borne fifty percent (50%) by Sellers and fifty percent (50%) by Purchaser, and shall be pre-paid by Sellers and Purchaser on the Closing Date. The Escrow Agent shall hold the Escrow Amounts and make disbursements therefrom in accordance with the terms of this Section 2.4 and the Escrow Agreement.

(d) The Adjustment Escrow Account shall be utilized and paid out to the Parties in accordance with Section 2.5. The Indemnification Escrow Account shall be utilized with respect to the payment of any Losses arising from the indemnity obligations of the Sellers pursuant to Article VII of this Agreement, for which Purchaser may submit indemnification claim(s) to the Sellers' Representatives from time to time for payment from the Indemnification Escrow Account. The Escrow Agent shall release funds from the Escrow Accounts only upon the receipt of (i) joint written instructions executed by the Sellers' Representatives and Purchaser directing funds to be distributed to Purchaser, by the Sellers' Representatives (on behalf of Sellers) or any other identified party, or (ii) a written order from an arbitrator or court of competent jurisdiction with directions to disburse such funds to the parties indicated in such order.

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(e) On the second business day after the date that is twenty-four (24) months after the Closing Date (the “**Release Date**”), the Escrow Agent shall be instructed by the Parties to release to the Paying Agent (on behalf of Sellers, in accordance with their respective Payment Percentages) the balance of the Indemnification Escrow Account, LESS the amount attributable to any pending but unresolved claims under Article VII (with any amounts attributable to such unresolved claims to be distributed to the proper Party once resolved or settled).

2.5 Net Working Capital Adjustment. Within forty-five (45) days following the Closing, Purchaser shall deliver to the Sellers’ Representatives an audited statement setting forth the Company’s Net Working Capital as of the close of business on the Closing Date (the “**Audited Net Working Capital**”). Within five (5) Business Days of the delivery of the Audited Net Working Capital:

(a) if the Audited Net Working Capital exceeds the Net Working Capital by at least 5% of the Audited Net Working Capital, then (X) Purchaser shall pay to the Paying Agent (on behalf of Sellers, in accordance with their respective Payment Percentages) an amount equal to the amount by which the Audited Net Working Capital exceeds the Net Working Capital, and (Y) the Parties shall direct the Escrow Agent to pay to the Paying Agent (on behalf of Sellers, in accordance with their respective Payment Percentages) the balance of the amount in the Adjustment Escrow Account;

(b) if the Net Working Capital exceeds the Audited Net Working Capital by at least 5% of the Audited Net Working Capital, then (X) the Parties shall direct the Escrow Agent to pay to Purchaser an amount equal to the amount by which the Net Working Capital exceeds the Audited Net Working Capital from the Adjustment Escrow Account, and (Y) the Parties shall direct the Escrow Agent to pay the balance (if any) of the Adjustment Escrow Account to the Paying Agent (on behalf of Sellers, in accordance with their respective Payment Percentages); provided, however, that if such excess amount exceeds the funds in the Adjustment Escrow Account, then Purchaser shall be entitled, in its sole discretion, to either (i) set off such excess amount from any amounts otherwise payable to Sellers by Purchaser under any Transaction Document (including any Earnout Payments), or (ii) be paid such excess amount from the Indemnification Escrow Account, and the Sellers’ Representatives (on behalf of Sellers, in accordance with their respective Payment Percentages) shall promptly reimburse such amount to the Indemnification Escrow Account; and

(c) if the discrepancy (if any) between the Net Working Capital and the Audited Net Working Capital is less than or equal to 5% of the Audited Net Working Capital in either direction, then the Parties shall direct the Escrow Agent to pay to the Paying Agent (on behalf of Sellers, in accordance with their respective Payment Percentages) the balance of the amount in the Adjustment Escrow Account.

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(d) If the Sellers Representatives dispute the accuracy of any items contained in the Audited Net Working Capital, the Sellers' Representatives shall give written notice to Purchaser within five (5) Business Days of the Purchaser's delivery of the Audited Net Working Capital, including in such notice the reasons for such dispute and providing as much specificity with regard to any disputed items in the Audited Net Working Capital (the "**NWC Dispute Notice**"). During the seven (7) calendar day period following delivery of the NWC Dispute Notice, the parties shall work together in good faith to resolve any such disagreements. If the Sellers' Representatives and Purchaser are unable to resolve all of their disagreements in accordance with the above procedures, the Sellers' Representatives may request in writing within five (5) Business Days of the Sellers' Representatives' delivery of the NWC Dispute Notice that Purchaser engage another a team from the same auditor that provided the Audited Net Working Capital (the "**New Auditor Team**") to review the Audited Net Working Capital. The Sellers' Representatives and Purchaser shall mutually prepare a list of the items that remain in dispute (the "**NWC Disputed Items**") to be provided to the New Auditor Team, and the New Auditor Team shall limit its review to the NWC Disputed Items, and correcting mathematical errors and determining whether the items and amounts in dispute were determined in accordance with the Applicable Accounting Standards. Purchaser and the Sellers' Representatives shall instruct the New Auditor Team to deliver its written determination to Purchaser and the Sellers' Representatives no later than thirty (30) days after the remaining differences underlying the NWC Dispute Notice are referred to the New Auditor Team. The submission of the NWC Disputed Items to the New Auditor Team shall be the exclusive remedy for resolving disputes relating to the determination of the Audited Net Working Capital. The New Auditor Team's determination shall be final and binding upon Purchaser, the Sellers' Representatives, and Sellers. The New Auditor Team's documented fees and expenses shall be borne completely by the Sellers' Representatives (on behalf of Sellers) unless the written determination of the New Auditor Team results in additional payment to the Paying Agent (on behalf of Sellers) pursuant to Section 2.5(a), (b) or (c) above beyond that which would have been payable pursuant to the original statement of Audited Net Working Capital, in which event the New Auditor Team's documented fees and expenses shall be borne completely by Purchaser.

Any amounts paid pursuant to the provisions of this Section 2.5 shall be deemed to be and treated as an adjustment to the Purchase Price for all purposes.

2.6 Withholding and Payroll Taxes. Any payments hereunder from Purchaser to Sellers for the Company Shares shall be made free and clear of, and without deduction or withholding, except to the extent required by applicable Law. If Purchaser believes that withholding is required with regard to any amounts payable to the Sellers, Purchaser shall notify the Sellers' Representatives of the estimated amounts that Purchaser intends to withhold from any payments hereunder and provide the Sellers' Representatives with reasonable support for the basis on which the Purchaser intends to withhold under applicable Laws. The Parties shall cooperate with each other, as and to the extent reasonably requested by the other Party, to minimize or eliminate any potential withholdings that Purchaser may believe it is required to make under applicable Law.

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2.7 Sellers' Expense Fund. The Sellers' Expense Fund shall be used (a) to fund any expenses incurred by the Sellers' Representatives in the performance of their duties and obligations hereunder or (b) to pay any indemnification claims of Purchaser under Article VII as agreed to by the Sellers' Representatives. The Sellers' Representatives may be reimbursed expenses from any consideration otherwise distributable to Sellers. The Sellers' Expense Fund will be held by the Sellers' Representatives until such time as the Sellers' Representatives determine, in their sole discretion, that Sellers shall have no further expenses to be incurred in connection with the transactions contemplated by this Agreement. Any portion of the Sellers' Expense Fund remaining after such time shall be paid by the Sellers' Representatives to Sellers in accordance with the Payment Percentages.

2.8 Earnout.

(a) As part of the consideration for the sale of the Company Shares and the Sellers' obligations hereunder, Purchaser shall pay to the Paying Agent (on behalf of Sellers, in accordance with their respective Payment Percentages), if applicable, the Revenues Earnout Payment and the Joint Product Earnout Payment, as defined herein.

(b) Purchaser shall pay to the Paying Agent (on behalf of Sellers, in accordance with their respective Payment Percentages) with respect to the period starting on the day immediately following the Closing Date and ending on December 31, 2025 (the "**Earnout Period**") an amount, if any (the "**Revenues Earnout Payment**"), equal to the Revenues Amount for the Earnout Period multiplied by 0.19. For the avoidance of doubt, Purchaser's obligation to pay the Revenues Earnout Payment shall be subject to the Revenues Earnout Conditions and the Earnout Maximum.

(c) Notwithstanding any other provision of this Agreement, the Revenues Earnout Payment shall only be due and payable if (A) both (i) the Revenues Amount for the calendar year 2024 exceeds the Revenues Amount for the calendar year 2023, and (ii) the Revenues Amount for the calendar year 2025 exceeds the Revenues Amount for the calendar year 2024 (the "**Revenue Condition**"); (B) both (i) the EBITDA of the Company in calendar year 2024 is equal to a positive amount and (ii) the EBITDA of the Company in calendar year 2025 is equal to a positive amount (in each case as determined in accordance with GAAP pursuant to audited financial statements of the Company) (the "**EBITDA Condition**"); and (C) both (i) the cash flow of the Company in calendar year 2024 is equal to a positive amount and (ii) the cash flow of the Company in calendar year 2025 is equal to a positive amount (in each case as determined in accordance with GAAP pursuant to audited financial statements of the Company) (the "**Cash Flow Condition**"), and together with the Revenue Condition and the Cash Flow Condition, the "**Revenues Earnout Conditions**"). The Parties acknowledge that certain costs as set forth on Exhibit D (the "**Excluded Costs**") may be incurred by the Company as a result of the Company becoming a subsidiary of a public company pursuant to the transactions contemplated by this Agreement. The Excluded Costs, to the extent applicable in the Purchaser's reasonable discretion, will be excluded from (x) the calculation of the Company's EBITDA for purposes of the EBITDA Condition and (y) the calculation of the Company's cash flow for purposes of the Cash Flow Condition.

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(d) If the Company and Purchaser mutually develop and release a product that meets the requirements as set forth in Exhibit E (the “**Joint Product**”) and the sales of such Joint Product equal or exceed [***] total units by June 30, 2026, Purchaser shall pay the Paying Agent (on behalf of Sellers, in accordance with their respective Payment Percentages) an amount equal to \$1,500,000 (the “**Joint Product Earnout Payment**”, and together with the Revenues Earnout Payment, the “**Earnout Payments**”), subject to the Earnout Maximum. For the avoidance of doubt, a “sale” or “sales” for purposes of this Section 2.8(d) shall mean the sale and shipment of the applicable units to a bona fide third party customer in accordance with the Company’s current practices as of the date hereof.

(e) Notwithstanding any other provision in this Agreement, the total amount of all Earnout Payments shall in no event exceed \$7,200,000 (the “**Earnout Maximum**”).

(f) By no later than March 1, 2026 Purchaser shall deliver to the Sellers’ Representatives a statement of the Revenues Amount, together with a statement and calculation of the Revenues Earnout Payment, if any, due for such calculation period (the “**Earnout Statement**”). Purchaser shall pay the undisputed portion of the Revenues Earnout Payment, if any, for the Earnout Period by no later than March 16, 2026.

(g) As promptly as practicable, but in no event later than fourteen (14) calendar days after receipt of the Earnout Statement, the Sellers’ Representatives shall notify Purchaser in writing whether they accept or dispute the accuracy of the items contained in the Earnout Statement. During such fourteen (14) day period, Sellers shall be provided with such access, during normal business hours and upon reasonable advance notice, to the books and records used in preparing the calculations in the Earnout Statement as they may reasonably request to respond to the Earnout Statement. If the Sellers’ Representatives accept the Earnout Statement or if the Sellers’ Representatives fail within such fourteen (14) day period to notify Purchaser of any dispute with respect thereto, the Earnout Payment set forth in the applicable Earnout Statement shall be deemed final.

(h) If Sellers dispute the accuracy of any items contained in the Earnout Statement, the Sellers’ Representatives shall give written notice to Purchaser no later than fourteen (14) calendar days following its receipt thereof (the “**Earnout Dispute Notice**”), which Earnout Dispute Notice shall specify the reasons for such disagreement, the amounts of any adjustments that are necessary in the Sellers’ Representatives’ judgment for the computations in the Earnout Statement to conform to the requirements of this Agreement, and the basis for the Sellers’ Representatives’ suggested adjustments. During the fourteen (14) calendar day period following delivery of the Earnout Dispute Notice, the parties shall work together in good faith to resolve any such disagreements. During such fourteen (14) day period, Purchaser and the Sellers’ Representatives shall be provided with such access to the books and records of the other party as such party may reasonably request to negotiate and resolve the items set forth in the Earnout Dispute Notice. If the parties are able to resolve their differences over the disputed items in accordance with the foregoing procedure, the Earnout Payment shall be the amount agreed upon by them.

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(i) If the Sellers' Representatives and Purchaser are unable to resolve all of their disagreements in accordance with the above procedures, the parties shall mutually prepare a list of the items that remain in dispute (the "**Disputed Items**") and shall engage for the purpose of resolving such Disputed Items any "big four" accounting firm that is independent with respect to the Parties or, if all such firms are unable or unwilling to perform services under this Section 2.8(i) or if Purchaser and the Sellers' Representatives otherwise agree, such other independent accounting firm of regional standing as is mutually agreed to by Purchaser and the Sellers' Representative (the "**Accounting Firm**"). Purchaser and the Sellers' Representatives shall each present in writing to the Accounting Firm (i) a proposed resolution of each Disputed Item (on an item-by-item basis) and (ii) any materials it wishes to present to justify its proposed resolution. The Accounting Firm, acting as experts and not as arbitrators, shall determine, only with respect to the remaining Disputed Items so submitted, whether and to what extent, if any, the Earnout Payment set forth in the Earnout Statement requires adjustment.

(j) The scope of the disputes to be resolved by the Accounting Firm under this Section 2.8 shall be limited to the Disputed Items, and correcting mathematical errors and determining whether the items and amounts in dispute were determined in accordance with the Applicable Accounting Standards. Purchaser and the Sellers' Representatives shall instruct the Accounting Firm to deliver its written determination to Purchaser and the Sellers' Representatives no later than forty-five (45) days after the remaining differences underlying the Earnout Dispute Notice are referred to the Accounting Firm. The Accounting Firm's decision for each item of disagreement must be within the range of values assigned to each such item in the applicable Earnout Statement and Earnout Dispute Notice, respectively. The Accounting Firm may adopt Purchaser's resolution of some items and the Sellers' Representatives' resolution of other items or may adopt an alternative resolution within such range of values if it deems such alternative resolution to be the most fair and equitable solution as contemplated by this Agreement. The submission of the Disputed Items to the Accounting Firm shall be the exclusive remedy for resolving disputes relating to the determination of the Earnout Payments. The Accounting Firm's determination shall be final and binding upon Purchaser, the Sellers' Representatives, and Sellers.

(k) The Accounting Firm's documented fees and expenses shall be borne equally by the Sellers' Representatives (on behalf of Sellers) and Purchaser. Except as provided in the preceding sentence, all other costs and expenses incurred by the Parties in connection with resolving any dispute hereunder before the Accounting Firm shall be borne by the party incurring such cost and expense. Purchaser and the Sellers' Representatives shall make readily available to the Accounting Firm all relevant books and records and any other information of their accountants (to the extent permitted by such accountants) relating to the Earnout Statement and the Earnout Dispute Notice and all other items reasonably requested by the Accounting Firm in connection therewith.

(l) Sellers' contingent rights to receive any Earnout Payment shall not be represented by any form of certificate or other instrument, are not transferable, and do not constitute an equity or ownership interest in Purchaser.

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(m) Sellers acknowledge and agree that (i) there is no assurance that Sellers will receive any Earnout Payment, and Purchaser has not promised or projected any specific amount of any Earnout Payment, if any, (ii) the parties solely intend the express provisions of this Agreement to govern their contractual relationship, and (iii) upon the Closing of the transactions contemplated by this Agreement, Purchaser shall have the right to operate the Company in a manner that Purchaser deems appropriate in its sole discretion and that Purchaser has no obligation or duty to operate the Company in order to achieve or maximize the amount of any Earnout Payments. Notwithstanding the foregoing, during the Earnout Period, Purchaser shall not sell any non-extending multi-port USB hub or USB multiplexing products; and shall not take any actions in bad faith with the primary intent of avoiding or reducing any Earnout Payment.

(n) Sellers hereby acknowledge and agree that Purchaser and its Affiliates make no representation or warranty, either express or implied, that the Company will be able to achieve any financial result. Nothing in this Agreement shall limit or restrict the right of Purchaser or its Affiliates from commercializing any product or engaging in any business or other activity.

(o) The term “**Revenues Amount**” means, for any period, the revenues of the Company determined in accordance with GAAP pursuant to audited financial statements, provided, however, that for purposes of the foregoing calculations gains or losses resulting from the sale or other disposition of assets not in the ordinary course shall be excluded.

2.9 **Business Plan.** The Parties acknowledge that, in order to reflect their intent as to how the Business will operate moving forward, the current plan of the Business following Closing is as set forth on Exhibit F (the “**Business Plan**”). For the avoidance of doubt, the Parties agree that the Business Plan is for informational purposes only, may change over time and is completely non-binding. The Business will be conducted pursuant to the bylaws of the Company as are in effect at any given time.

ARTICLE III CLOSING AND CLOSING DELIVERIES

3.1 **Closing.** The execution and delivery of this Agreement, and the consummation of the transactions contemplated by this Agreement (the “**Closing**”), shall occur on the date hereof (the “**Closing Date**”), with the effective time of the Closing for accounting, Tax and any other purposes described herein as occurring or relating to the Closing or the Closing Date (other than representations) to be at 11:59 p.m. on the Closing Date. The Closing shall be effected through the delivery, by written or verbal notice of the release thereof, of all signed signature pages, documents and other items required hereunder, which are being delivered remotely via electronic exchange of such signature pages, documents and other items on the Closing Date hereof between and among the Parties or their respective legal counsel.

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3.2 *Deliveries at Closing.*

(a) By Sellers. At the Closing, Sellers or the Sellers' Representatives shall execute and deliver, as applicable, or cause to be executed and delivered, to Purchaser the following documents, where the execution or delivery of documents is contemplated, and shall take or cause to be taken the following actions, where the taking of action is contemplated (unless waived, in writing, by Purchaser):

(i) stock powers with respect to all the Company Shares, duly executed and delivered by the Sellers;

(ii) the Escrow Agreement, executed and delivered by the Sellers' Representatives;

(iii) payoff letters for the amounts payable on the Closing Date to pay all of the Outstanding Debt;

(iv) evidence of the cancellation of all Options, along with a waiver of all rights and claims related to the Options by the holders of all Options, in form and substance reasonably acceptable to Purchaser;

(v) employment agreements (the "***Employment Agreements***") by and among the Company and each of [***], in each case commencing the date after the Closing Date;

(vi) the Latest Balance Sheet of the Company in form and substance reasonably acceptable to Purchaser;

(vii) the Sellers' Transaction Expenses Certificate, executed by the Sellers' Representatives;

(viii) completed copies of IRS Form 8023, duly executed by all Sellers;

(ix) all notices, consents, approvals and waivers that are listed on Schedule 4.4, in each case, in form and substance reasonably satisfactory to Purchaser, and no such notice, consent, approval and waiver shall have been revoked;

(x) letters of resignation, effective as of the Closing Date, of each of the directors of the Company (solely as a director of the Company, and not as an employee or contractor of the Company);

(xi) a certificate of a Responsible Officer of the Company, dated the Closing Date, certifying as to: (A) the Charter Documents of the Company; (B) duly adopted resolutions of the board of directors of the Company authorizing the execution of each Transaction Document to which the Company is a party and the consummation of the transactions contemplated hereunder and thereunder; and (C) the incumbency and specimen signature of each Responsible Officer of the Company executing this Agreement, and the other Transaction Documents to which the Company is a party;

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(xii) certificates of existence and good standing (or equivalent thereof) for the Company issued by the Secretary of State (or equivalent thereof) in the jurisdiction of incorporation or organization, and the Secretary of State (or equivalent thereof) of any state, province or jurisdiction in which the Company is qualified to do business as a foreign Entity, as of a date not more than ten (10) days prior to the Closing Date;

(xiii) (A) an IRS Form W-9 for each Seller who is a U.S. citizen or otherwise resides in the U.S. and has a U.S. taxpayer identification number (Social Security Number or Employer Identification Number), and (B) an IRS W-8BEN for each Seller who is a foreign person;

(xiv) a certificate certifying to the effect that no interest in the Company is a U.S. real property interest (such certificate in the form required by Treasury Regulation Section 1.897-2(h) and 1.1445-3(c)), executed and delivered by the Company;

(xv) each of the other Transaction Documents to which Sellers are parties, in each case, duly executed by Sellers; and

(xvi) such other documents, resolutions, certificates, and instruments as may be reasonably required to consummate the transactions contemplated by this Agreement and the Transaction Documents and to comply with the terms hereof and thereof.

(b) By Purchaser. At the Closing, Purchaser shall execute and deliver, as applicable, or cause to be executed and delivered to Sellers or the Sellers' Representatives, as applicable, the following documents or funds, where the execution or delivery of documents or funds is contemplated, and shall take or cause to be taken the following actions, where the taking of action is contemplated (unless waived in writing by the Sellers' Representatives):

(i) the payment of the Closing Purchase Price in accordance with Section 2.3;

(ii) the Escrow Agreement, executed and delivered by Purchaser and the Escrow Agent;

(iii) the Paying Agent Agreement, executed and delivered by Purchaser and the Paying Agent;

(iv) a certificate of a Responsible Officer of Purchaser, dated the Closing Date, certifying as to: (A) the duly adopted resolutions of the board of directors of Purchaser authorizing the execution of each Transaction Document to which Purchaser is a party and the consummation of the transactions hereunder and thereunder; and (B) the incumbency and specimen signature of each Responsible Officer of Purchaser executing this Agreement, and the other Transaction Documents to which Purchaser is a party;

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(v) each of the other Transaction Documents to which Purchaser is a party, in each case, duly executed by Purchaser; and

(vi) such other documents, resolutions, certificates and instruments as may be reasonably required to consummate the transactions contemplated by this Agreement and the Transaction Documents and to comply with the terms hereof and thereof.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLERS AND THE COMPANY

Each Seller, severally and not jointly, and the Company hereby represent and warrant to Purchaser that, subject to such exceptions as are specifically disclosed in the disclosure schedule (referencing the appropriate section and subsection numbers) supplied by the Company to Purchaser (the “**Disclosure Schedule**”), the statements contained in this Article IV are true and correct as of the Closing Date (unless a representation or warranty is made as of a specific earlier date, in which case, as of such earlier date):

4.1 Organization and Authority of Sellers.

(a) Such Seller has full power and authority to enter into this Agreement and the other Transaction Documents to which such Seller is a party, to carry out such Seller’s obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. Such Seller, if it is an Entity, is incorporated or organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization, as applicable, and has all requisite corporate or organizational power and authority to own, lease and operate its properties and to carry on its business as now conducted, except where the failure to have such power or authority would not reasonably be expected to prohibit or restrain the ability of such Seller to enter into this Agreement and the other Transaction Documents to which such Seller is a party, to carry out such Seller’s obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby.

(b) The execution and delivery of this Agreement and any other Transaction Document by Sellers to which such Seller is a party, the performance by such Seller of such Seller’s obligations hereunder and thereunder and the consummation by such Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite and necessary actions on the part of such Seller. This Agreement has been duly executed and delivered by such Seller, and (assuming due authorization, execution, and delivery by the other Parties) this Agreement constitutes a legal, valid, and binding obligation of Seller, enforceable against such Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other Laws relating to or affecting creditors’ rights generally or by equitable principles (regardless of whether enforcement is sought at law or in equity). When each other Transaction Document to which such Seller is or will be a party has been duly executed and delivered by such Seller (assuming due authorization, execution and delivery by each other Party thereto), such Transaction Document will constitute a legal and binding obligation of such Seller, enforceable against him or it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other Laws relating to or affecting creditors’ rights generally or by equitable principles (regardless of whether enforcement is sought at law or in equity).

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4.2 *Organization, Authority, and Qualification of the Company.* The Company is a company duly organized, validly existing, and in good standing under the laws of its state of incorporation and has full company power and authority to own, operate, or lease the properties and assets now owned, operated, or leased by the Company and to carry on the Company's business as it has been and is currently conducted. Schedule 4.2 sets forth each jurisdiction in which the Company is qualified to do business, and the Company is duly qualified to do business and in good standing in each jurisdiction in which the properties owned or leased by the Company or the operation of the Company's business as currently conducted makes such licensing or qualification necessary. Schedule 4.2 sets forth a list of all of the directors and officers of the Company. The Charter Documents of the Company are in full force and effect and the Company is not in violation of (and has not previously violated) any provision of the Company's Charter Documents. All actions taken by the Company in connection with this Agreement and the other Transaction Documents have been duly authorized. The Company has made available to Purchaser true and correct copies of the Company's Charter Documents, the meeting minutes, and written consents of the directors and shareholders of the Company. The minute books and stock record books of the Company have been maintained in accordance with reasonable business practices and applicable Laws.

4.3 *Capitalization.*

(a) Schedule 4.3 sets forth (i) the authorized shares of Common Stock of the Company; (ii) the number of shares of Common Stock of the Company, which are held beneficially and of record by Sellers; and (iii) the shares of Common Stock of the Company held of record by each Seller.

(b) All issued and outstanding shares of Company Stock are owned beneficially and of record by Sellers, free and clear of any Liens, and constitute 100% of the issued and outstanding Common Stock of the Company. All of the shares of Company Stock have been duly authorized, and are validly issued, and are fully paid and non-assessable.

(c) Immediately upon consummation of the transactions contemplated by this Agreement, Purchaser shall own all of the issued and outstanding shares of Common Stock of the Company.

(d) The Company's Common Stock was issued in compliance with all applicable Laws, and was not issued in violation of the Charter Documents of the Company, as applicable, or any other agreement, arrangement, or commitment to which Sellers or the Company are a party. Except as set forth on Schedule 4.3, the Company's Common Stock is not subject to any preemptive or similar rights of any Person granted by Sellers or the Company, and there are no voting trusts, proxies, or other agreements or understandings in effect to which any of the Sellers is a party with respect to the voting or transfer of any of the Company's Common Stock.

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(e) Except as set forth on Schedule 4.3, immediately prior to the Closing, there are no outstanding or currently authorized Options, warrants, convertible securities, or other similar rights, agreements, arrangements, or commitments relating to the Company obligating the issue or sale of any of the Company's Common Stock, or any interest therein.

(f) The Company does not have, and has not ever had, (i) any Subsidiaries or (ii) any interest in any Capital Stock in any other Person.

(g) Except as set forth on Schedule 4.3, each Seller is the record and beneficial owner and holder of all of the issued and outstanding shares of Company Stock set forth opposite such Seller's name on Annex I, and has good and marketable title to such shares of Company Stock, free and clear of all Liens.

(h) Immediately following the Closing:

(i) Purchaser will be the record and beneficial owner of the Company Shares sold to Purchaser by each Seller set forth opposite each Seller's name on Annex I, and will have good and marketable title to the Company Shares sold to Purchaser by each Seller set forth opposite each Seller's name on Annex I, free and clear of all Liens, except for any Liens caused by Purchaser;

(ii) the Company Shares sold to Purchaser at the Closing will constitute 100% of the issued and outstanding shares of Company Stock.

(i) Prior to the Closing, there is no Contract pursuant to which any Seller has, directly or indirectly, granted any option, warrant, or other right to any Person to acquire the Company Stock (except pursuant to this Agreement).

4.4 No Violations; Consents.

(a) Except as set forth on Schedule 4.4, the execution, delivery, and performance of this Agreement and the other Transaction Documents to which the Company is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not:

(i) conflict with or result in a violation or breach of, or a default under, any provision of the Charter Documents of the Company;

(ii) conflict with or result in a violation or breach of any provision of any Law or governmental Order applicable to the Company;

(iii) require the consent of, notice to, or other action by any Person under, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify, or cancel any Material Contract or any Permit material to the Company's business; or

(iv) result in the creation or imposition of any Liens other than Permitted Liens on any properties or assets of the Company.

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(b) The execution, delivery, and performance by such Seller of this Agreement and the other Transaction Documents to which such Seller is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not conflict with or result in a violation or breach of any provision of any Law or governmental Order applicable to such Seller.

4.5 Financial Statements and Other Financial Matters.

(a) The Company has delivered to Purchaser true and complete copies of the following (collectively, the “**Financial Statements**”), each of which are attached to Schedule 4.5(a):

(i) the unaudited balance sheet of the Company as of December 31, 2022, and unaudited consolidated income statement and statement of cash flows of the Company for the fiscal year then ended;

(ii) the unaudited consolidated balance sheet of the Company as of December 31, 2023, and unaudited consolidated income statement and statement of cash flows of the Company for the fiscal year then ended; and

(iii) the unaudited consolidated balance sheet of the Company (the “**Latest Balance Sheet**”) as of two (2) weeks prior to the Closing Date (the “**Latest Balance Sheet Date**”), and the related unaudited consolidated statement of income of the Company for the year-to-date period then ended.

(b) The Financial Statements have been prepared in accordance with the Applicable Accounting Standards, in each case on a consistent basis throughout the periods indicated. The Financial Statements were prepared from, and are consistent with, the books and records of the Company, and present fairly the financial condition and results of operations of the Company as of the dates thereof and the periods then ended.

(c) Except as set forth on Schedule 4.5(c), the Company does not have Outstanding Debt. Except to the extent reflected in the Latest Balance Sheet, the Company does not have, as of the Closing Date, liabilities or obligations of any nature, whether accrued, absolute, contingent, or otherwise, including tax liabilities, whether incurred in respect to or measured by the Company’s income for any period prior to the Closing Date, or arising out of transactions entered into, or any set of facts existing prior thereto, other than those liabilities that have been incurred by the Company in the Ordinary Course of Business since the Latest Balance Sheet Date and which are not, individually or in the aggregate, material in amount. Except as set forth on Schedule 4.5(c), the Company is not a guarantor or otherwise liable for any liability or obligation of any other Person.

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(d) Schedule 4.5(d) sets forth a complete list of the accounts receivable of the Company, as of the Latest Balance Sheet Date and as updated as of two Business Days prior to the Closing Date, together with an aging listing in thirty, sixty, ninety, and “ninety-plus” day aging categories and which includes the identity of each obligor thereof. All accounts receivable of the Company represent valid obligations arising from sales actually made or services actually performed in the Ordinary Course of Business. None of the accounts receivable are subject to any contest, claim, defense, or right of setoff.

(e) The Company owns all of the Company’s respective assets free and clear of any Liens except for Permitted Liens. The existing assets, properties, and rights of the Company constitutes all of the material assets, properties and rights needed to operate the Company’s business as currently conducted (subject to ordinary repair, maintenance, and replacement in the Ordinary Course of Business).

(f) Schedule 4.5(f) sets forth (by tax identification number) all CARES Act stimulus fund programs or other programs related to COVID-19 in which the Company has participated or is participating and the amount thereof (the “*Cares Funds*”). The Company was eligible for any such CARES Funds as of the date of its application and receipt and has complied and shall comply with all terms and conditions relating to receipt and use of such CARES Funds. The Company has maintained accounting records associated with the CARES Funds in compliance with all of the terms and conditions of such programs, applicable “Relief Fund Payment Terms and Conditions” (as defined in the CARES Act), and related guidance available as of the date hereof. The Company has utilized all such CARES Funds prior to the Closing Date in accordance with applicable Law and the applicable Relief Fund Payment Terms and Conditions. Further, any such CARES Funds that have not been so used are maintained in the bank account(s) of the Company and have not been distributed to or any other Person, or otherwise utilized or expended. The Company has made available to Purchaser complete and correct copies of all applications (including any forgiveness applications), documents, and related records prepared by or on behalf of any of the Company relating to the CARES Funds, and all such applications (including any forgiveness applications), documents, and records, including all representations, warranties, information, certifications, authorizations, and question responses provided therein: (i) were made in good faith; (ii) were true, correct, and complete in all respects when made; (iii) are true, correct, and complete in all respects; and (iv) otherwise completed in accordance with the CARES Act and other applicable Law. The CARES Funds constitute the entirety of indebtedness incurred by the Company under any governmental program. Except for the CARES Funds, the Company has not applied for or received any stimulus funds or any other kind of remuneration in connection with COVID-19 or any issues relating thereto. There is no an audit, investigation, or other inquiry by any Governmental Entity with respect to the application for, or receipt of, the CARES Funds.

(g) All of the Sellers’ Transaction Expenses, including any and all investment banking fees, finder’s fees, brokerage payments, success fees, or other like payments in connection with the origination, negotiation, or consummation of the transactions contemplated herein, whether they apply to the Company or the Sellers, which are unpaid as of Closing are accurately reflected in the Sellers’ Transaction Expenses Certificate.

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4.6 Laws and Permits.

(a) Except as set forth on Schedule 4.6(a), the Company is in compliance in all material respects with all applicable Laws. Except as set forth on Schedule 4.6(a), the Company has not received written notice of any violation of any Law, and the Company is not in default with respect to any Order or award of any court or other Governmental Entity, in each case, applicable to the Company's assets, properties, or operations or the transactions contemplated hereby.

(b) All of the Company's Permits are set forth in Schedule 4.6(b). The Company validly holds all Permits necessary or material for the continued ownership, use, and operation of the Company's business as currently conducted. Such Permits are valid and in full force and effect, and the Company is not in default under, and, to the Knowledge of the Company, no condition exists that with notice or passage of time or both would constitute a default under any such Permit.

(c) The Company does not produce, design, test, manufacture, fabricate, or develop "critical technologies" as that term is defined in 31 C.F.R. § 800.215.

4.7 Environmental Matters.

(a) There are no conditions or circumstances relating to any real property currently or formerly owned or leased by the Company for which the Company is liable for any material damages, fees, or expenses under any Environmental Laws. Except as set forth on Schedule 4.7(a), no Person has been exposed to any Hazardous Materials in connection with the current or former assets or operations of the Company, which exposure is reasonably likely to give rise to any liability to the Company under Environmental Laws.

(b) The Company has furnished or made available to Purchaser true and correct copies of all third-party written environmental assessments, investigations, audit reports, notices, and studies relating to the premises leased by the Company for use in the Company's business and to which the Company has access.

4.8 Legal Proceedings.

(a) Except as set forth in Schedule 4.8, there are no Legal Proceedings pending or, to the Knowledge of the Company, threatened against the Company, or any of its respective officers, directors, or employees (in their capacity as such), or any of the assets of the Company, including any outstanding subpoenas from third parties. The Company is not subject to any Order, and is in material compliance with any outstanding subpoenas from third parties (which shall be listed on Schedule 4.8 with the response due date listed thereon), to the extent responses were required prior to the Closing Date. The Company is not engaged in any Legal Proceedings to recover damages sustained by the Company. There are no actions or proceedings pending against the Company, or, to the Knowledge of the Company, threatened against the Company, in each case, relating to or affecting the transactions contemplated under this Agreement or the validity or enforceability of this Agreement or any of the other Transaction Documents.

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(b) There are no Legal Proceedings pending or, to such Seller's knowledge after reasonable inquiry, threatened, that challenge the validity or enforceability of such Seller's obligations under this Agreement and the other Transaction Documents or seek to prevent, delay, or otherwise would reasonably be expected to adversely affect the consummation by such Seller of the transactions contemplated herein or therein.

(c) None of the Key Persons has ever been: (i) convicted of, or indicted for, a felony; (ii) convicted of fraud in a civil or criminal Legal Proceeding (that was not otherwise overturned or expunged); or (iii) the subject of any petition under the federal bankruptcy laws or any state insolvency law, or had a receiver, fiscal agent, or similar officer appointed by a court for any company or business association of which such Person held an officer and/or director position.

4.9 Tax Matters.

(a) (i) The Company has duly and timely filed, on or prior to the due date (after giving effect to any extensions), all Tax Returns required by applicable Law to have been filed with respect to the Company, the Company's business, or the Company's assets, and all Taxes shown to be due on such Tax Returns have been timely paid; (ii) all such Tax Returns were true, correct, and complete as of the time of such filing; and (iii) all Taxes owed in respect of the Company and the Company's assets and business (whether or not shown on any Tax Return) have been or will be timely paid. Copies of all Tax Returns with respect to the Company for the last three years have been furnished or otherwise made available to the Purchaser. Schedule 4.9(a): (A) indicates those Tax Returns (referenced in the immediately preceding sentence) that have been audited by a Governmental Entity and (B) includes a brief annotation as to the outcome of such audit.

(b) Except as set forth on Schedule 4.9(b), no claim has been received in writing by the Company from any Taxing Authority in a jurisdiction where the Company has not filed a Tax Return that the Company is or may be subject to Tax by such jurisdiction or required to file a Tax Return with such jurisdiction, and there is no reasonable basis for any such claim. No Seller or director or officer (or employee responsible for Tax matters) of the Company expects any Taxing Authority to assess any additional Taxes for any period for which Tax Returns have been filed.

(c) There are no proceedings pending, ongoing, or, to the Knowledge of the Company, threatened, against the Company or any of the Company's assets and business by any Governmental Entity with respect to Taxes including any Tax audits, administrative, or judicial proceedings, and there is no reasonable basis for any such proceeding. There is no outstanding agreement or waiver made by or on behalf of the Company for the extension of time for any applicable statute of limitations, and the Company has not requested any extension of time in which to file any Tax Return. There is no outstanding agreement extending the time for payment of any Taxes in respect of the Company or the Company's assets or business.

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(d) The Company has withheld all Taxes required by applicable Law to have been withheld by the Company in connection with any amounts paid to any employee, creditor, independent contractor, shareholder or other third-party, and have timely paid over such amounts to the proper Governmental Entity.

(e) The Company has not been a member of any “affiliated group” (as defined in Section 1504(a) of the Code or any similar provision of state, local, or foreign Law) or of any combined, consolidated, unitary, or similar group, and the Company has no liability for the Taxes of any other Person as a successor, a transferee, by contract, under Treasury Regulation Section 1.1502-6 or any similar provision of federal, state, local, or foreign law, or otherwise. The Company is not and has not been a party to any agreement or arrangement providing for the allocation, indemnification, or sharing of Taxes (other than, in each case, the apportionment of Taxes related to commercial transactions between the Company and the Company’s customers). The Company has not been a member of any Tax partnership or joint venture treated as a Tax partnership at any time.

(f) All assets owned by the Company, other than intangible assets and assets which collectively are immaterial, have been properly listed and described on the property Tax rolls in the jurisdictions in which such listing and description is required by Law for all periods prior to the Closing Date, and no portion of the assets owned by the Company, other than intangible assets and assets which collectively are immaterial, constitutes omitted property for property Tax purposes.

(g) There are no Liens (other than Permitted Liens) on any of the assets of the Company, or on the Common Stock of the Company, that arose in connection with the failure, or alleged failure, to pay any Taxes.

(h) The Company has not engaged in a “reportable transaction” as defined in Section 6707A(c)(1) of the Code and Treasury Regulation Section 1.6011-4(b)(2) or comparable rules under other Laws.

(i) The Company has collected and timely remitted all sales, use, value added, goods, and services and similar Taxes required to be collected and remitted by Law, and/or have obtained and properly maintained the appropriate exemption certificates to exempt the Company from collecting any such Taxes that would otherwise be due.

(j) The Company has not executed any closing agreement pursuant to Section 7121 of the Code or any predecessor provision thereof, or any similar provision of foreign, state or local Law that will bind the Company for any taxable period after the Closing. There are no pending or granted requests for rulings or changes in accounting in respect of the Company that will affect the Company or the Company’s assets and business for Tax periods beginning after the Closing Date.

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(k) The Company has not engaged in any transaction, made, or become subject to any Tax election, entered into or become subject to any agreement, applied to change or become subject to any change in any accounting method or timing, or are aware of any effort by any Governmental Entity to impose or require any of the foregoing, that will have the effect of shifting any expenses or deductions to periods ending on or before the Closing Date that are allocable without such actions to periods after the Closing Date or that will have the effect of shifting any income or revenues to periods after the Closing Date that are allocable without such actions to periods ending on or before the Closing Date, for federal, state, local, or foreign Tax purposes.

(l) At all times since January 1, 2015, the Company has been a validly electing S corporation (within the meaning of Sections 1361 and 1362 of the Code) and the Company will be an S corporation up to and including the Closing Date. Neither the Company nor any Seller aware of any basis for the revocation of the Company's S corporation election, and no Governmental Entity has sent any correspondence to the Company or any Seller questioning the Company's status as an S corporation.

(m) The Company does not have any potential liability for any Tax under Section 1374 or Section 1375 of the Code, or will be subject to Tax under Section 1374 of the Code in connection with the transactions contemplated by this Agreement. During the past 5 years, the Company has not (i) acquired assets from another corporation in a transaction in which the Company's Tax basis for the acquired assets was determined, in whole or in part, by reference to the Tax basis of the acquired assets (or any other property) in the hands of the transferor or (ii) acquired the stock of any corporation that is a qualified subchapter S subsidiary.

(n) No private letter rulings, technical advice memoranda, or similar rulings have been requested by or with respect to the Company, or issued by any Taxing Authority with respect to the Company.

(o) The Company (and Purchaser and its Affiliates as a result of ownership of the Company) will not be required to include any item of income, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any of the following actions taken by Sellers or the Company prior to Closing: (i) change in method of accounting for a taxable period ending on or prior to the Closing Date, (ii) use of an improper method of accounting for a taxable period ending on or prior to the Closing Date, (iii) intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local, or non-U.S. income Tax Law), (iv) installment sale or open transaction disposition made on or prior to the Closing Date, (v) prepaid amount received on or prior to the Closing Date, or (vi) election under Section 108(i) of the Code.

(p) The Company has not distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Sections 355 or 361 of the Code.

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(q) The unpaid Taxes of the Company (i) did not, as of the most recent month end, exceed the reserve for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the Latest Balance Sheet (rather than in any notes thereto) and (ii) do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company in filing its Tax Returns.

(r) The Company is not a party to any agreement, Contract, arrangement, or plan that has resulted or could result, separately or in the aggregate, in the payment of (i) any “excess parachute payment” within the meaning of Section 280G of the Code (or any corresponding provision of state, provincial, local, or non-U.S. Tax Law) or (ii) any amount that will not be fully deductible as a result of Section 162(m) of the Code (or any corresponding provision of state, provincial, local or non-U.S. Tax Law).

(s) The Company is not, nor has it been, a U.S. real property holding corporation (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(a) of the Code.

(t) None of the Sellers is a “foreign person” within the meaning of Section 1445(f)(3) of the Code.

(u) The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(v) The Company (i) has not made an election to defer any Taxes under Section 2302 of the CARES Act, or any similar election under state or local Tax law, and is not otherwise currently deferring any such Taxes, (ii) has not claimed any “employee retention credit” pursuant to Section 2301 of the CARES Act, and (iii) does not have any outstanding obligations under any loans issued pursuant to the Paycheck Protection Program under the CARES Act. The Company has not elected to defer any Applicable Taxes on Applicable Wages as an Affected Taxpayer (each as defined in IRS Notice 2020-65).

(w) The Company has not engaged in a trade or business, had a permanent establishment (within the meaning of an applicable Tax treaty), nor otherwise become subject to Tax in a country other than the United States.

4.10 *Absence of Certain Changes.* Except as set forth in Schedule 4.10, since January 1, 2024, none of the following have occurred:

(a) event, occurrence, or development that has had, or would reasonably be expected to have, whether individually, or in the aggregate as a series of related events, a Material Adverse Effect;

(b) change in any method of accounting or accounting practice for the Company;

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(c) incurrence, assumption, or guarantee of any Outstanding Debt, except unsecured current obligations and liabilities incurred in the Ordinary Course of Business consistent with past practice;

(d) transfer, assignment, sale, or other disposition of any of the assets shown or reflected in the Latest Balance Sheet, except for sales of inventory in the Ordinary Course of Business;

(e) settlement, release, or forgiveness of any claim or litigation or waiver of any right of the Company (other than write-offs or waivers of accounts receivable in the Ordinary Course of Business, none of which, individually or in the aggregate, exceed \$25,000);

(f) acceleration, termination, material modification to, or cancellation of, any Material Contract or Permit;

(g) capital expenditure (or series of related capital expenditures) by the Company either involving more than \$25,000 or outside the Ordinary Course of Business;

(h) capital investment in, loan to, or acquisition of the securities or assets of, any Person (or series of related capital investments, loans, and acquisitions) by the Company either involving more than \$25,000 or outside the Ordinary Course of Business, or acquisition (by merger, exchange, consolidation, acquisition of equity interests or assets, or otherwise) of any Person by the Company;

(i) new Contract entered into by the Company with a total value reasonably expected to be greater than \$25,000, other than in the Ordinary Course of Business;

(j) extension or renewal of any Material Contract with a total value reasonably expected to be greater than \$25,000, other than in the Ordinary Course of Business;

(k) material change to the terms of any Material Contract, other than in the Ordinary Course of Business;

(l) increase in the compensation payable or to become payable by the Company to any of the Company's current or former employees, managers, or officers, or to any undisclosed bonus payment or bonus arrangement made to or with any employees, managers, or officers, except, in either case, in the Ordinary Course of Business consistent with past practice and historical compensation levels as reflected in Schedule 4.12(a);

(m) action by or on behalf of any of the Company to make, change, or rescind any Tax election, amend any Tax Return, take any action, omit to take any action, or enter into any other transaction that would have the effect of increasing the Tax liability or reducing any Tax asset of the Purchaser in respect of any Post-Closing Tax Period, defined in Section 6.1(e)(i);

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(n) adoption, modification, or termination of any employment, severance, retention, or other agreement with any current or former employee, officer, director, independent contractor, or consultant of the Company;

(o) loan to (or forgiveness of any loan to), or entry into any other transaction with, any directors, officers, or employees of the Company;

(p) adoption of any plan of merger, consolidation, reorganization, liquidation, or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy Law, or consent to the filing of any bankruptcy petition against the Company under any similar Law; and

(q) entry into a Contract by the Company to do any of the foregoing (except as otherwise set forth in clauses (a) – (p) above).

4.11 *Employee Benefit Plans.*

(a) Schedule 4.11 contains a correct and complete list of each “employee benefit plan” within the meaning of Section 3(3) of ERISA and all other currently effective employee compensation and benefits plans, policies, programs, arrangements, or payroll practices, including multiemployer plans within the meaning of Section 3(37) of ERISA, and each other stock purchase, stock option, restricted stock, severance, retention, employment, consulting, change-of-control, bonus, incentive, deferred compensation, employee loan, fringe benefit and other benefit plan, agreement, program, policy, commitment or other arrangement, whether or not subject to ERISA (including any related funding mechanism now in effect or required in the future), whether formal or informal, oral or written, in each case sponsored, maintained, contributed to, or required to be contributed to by the Company or under which the Company has any current or potential liability. All such plans, agreements, programs, policies, commitments, and arrangements are collectively referred to as the “***Employee Benefit Plans***”.

(b) The Company has provided to Purchaser, with respect to each Employee Benefit Plan, a true and complete copy of all currently effective plan documents, if any, including related trust agreements, funding arrangements, and insurance Contracts, and all amendments thereto; and, to the extent applicable, (i) the most recent determination letter, if any, received by the Company from the Internal Revenue Service (the “***IRS***”) regarding the tax-qualified status of such Employee Benefit Plan; (ii) the most recent financial statements for such Employee Benefit Plan, if any; (iii) the most recent actuarial valuation report, if any; (iv) the current summary plan description and any summaries of material modifications; (v) Form 5500 Annual Returns/Reports, if any; and (vi) except as set forth in Schedule 4.11, the most recent written results of all compliance testing required pursuant to Sections 125, 401(a)(4), 401(k), 401(m), 410(b), 415, and 416 of the Code.

(c) No Employee Benefit Plan is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code. No event has occurred and no condition exists that would subject the Company by reason of its affiliation with any current or former member of its ERISA Affiliates to any (i) Tax, penalty, or fine, (ii) Lien, or (iii) other liability imposed by ERISA, the Code, or other applicable Laws. The Company has never contributed to nor been obligated to contribute to any “multiemployer plan” as defined in Section 3(37) of ERISA.

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(d) The Company has never sponsored, maintained, or contributed to any Employee Benefit Plan that is intended to qualify under Section 401(a) of the Code.

(e) Each Employee Benefit Plan has been established and administered in accordance with its terms in all material respects, and in compliance in all material respects with the applicable provisions of ERISA, the Code, and other applicable Laws. All contributions (including all employer contributions and employee salary reduction contributions) required to have been made under any of the Employee Benefit Plans to any funds or trusts established thereunder or in connection therewith have been made by the due date thereof, and all contributions for any period ending on or before the Closing Date that are not yet due will have been paid or accrued prior to the Closing Date. There are no pending or, to the Knowledge of the Company, threatened actions, claims, or lawsuits against or relating to the Employee Benefit Plans, the assets of any of the trusts under such plans or the plan sponsor or, to the Knowledge of the Company, the plan administrator, or against any fiduciary of the Employee Benefit Plans with respect to the operation of such plans (other than routine benefits claims).

(f) None of the Employee Benefit Plans provide retiree health or life insurance benefits except as may be required by Section 4980B of the Code and Section 601 of ERISA, any other applicable law, or at the expense of the participant or any beneficiary of the participant. There has been no material violation of the “continuation coverage requirement” of “group health plans”, as set forth in Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA, with respect to any Employee Benefit Plan to which such continuation coverage requirements apply.

4.12 *Employees; Employment Matters.*

(a) The Company previously provided Purchaser with an accurate list of the following information for each employee of the Company since January 1, 2024, including each employee on leave of absence or layoff status: job title; current compensation paid or payable and any change in compensation since January 1, 2024; bonuses or other incentive pay paid or expected to be paid for the current year ending December 31, 2024; classification under the federal Fair Labor Standards Act or other applicable wage and hour Laws (e.g., exempt or non-exempt); any applicable non-competition term; vacation accrued and unused as of a recent date; leave status and date of anticipated return, if applicable; service credited as of a recent date for purposes of vesting and eligibility to participate under any Employee Benefit Plan; and all bonuses, change of control payments, and any other amounts to be paid by the Company at or in connection with the Closing. All employees are employed by the Company on an “at will” basis under the applicable state law and their employment may be terminated by the Company without notice or penalty under the applicable state law (subject to compliance with any and all applicable anti-discrimination and other employee protection Laws of general application in connection therewith). Except as set forth on Schedule 4.12(a), to the Knowledge of the Company, no employees of the Company are planning to terminate their employment after the Closing.

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(b) Set forth on Schedule 4.12(b) is a list of the following information for every independent contractor, consultant, or sales agent of the Company since January 1, 2023: name, responsibilities, work location, date of engagement, term of agreement, compensation structure, and any applicable non-competition term. Each such independent contractor, consultant, or sales agent qualifies as an independent contractor in relation to the Company for purposes of all applicable Laws, including those relating to Taxes, insurance, and employee benefits. All Contracts with any such independent contractor, consultant, or sales agent may be terminated by the Company without notice or penalty in the manner set forth in Schedule 4.12(b). To the Knowledge of the Company, no independent contractor, consultant, or sales agent of the Company is planning to terminate their relationship with the Company after the Closing. Copies of each of the Contracts with each of the independent contractors set forth on Schedule 4.12(b) have been made available to Purchaser.

(c) The Company has no liability with respect to any misclassification of: (i) any Person as an independent contractor rather than as an employee, (ii) any employee leased from another employer, or (iii) any employee currently or formerly classified as exempt from overtime wages.

(d) The Company is not a party to any labor or collective bargaining agreement, or to any other agreement, with any labor union, other employee representative, or group of employees.

(e) All of the Company's employees are lawfully authorized to work in the United States according to applicable immigration laws. The independent contractors working for the Company are lawfully authorized to work in the United States according to applicable immigration laws. The Company is in compliance in all respects with all applicable Laws relating to the documentation and record keeping of its employees' work authorization status.

(f) There are no complaints, charges, or claims against the Company pending or, to the Knowledge of the Company, threatened to be brought or filed with any Governmental Entity relating to, arising out of, or otherwise attributable to the employment or engagement by the Company, of any Person, including any claim for wages or workers' compensation.

(g) To the Knowledge of the Company, no employee or officer of the Company is a party to, or is otherwise bound by, any confidentiality, non-competition, or proprietary rights agreement, or to any similar agreement that would affect (i) the performance of such Person's duties as an employee or officer or (ii) the ability of the Purchaser to conduct the Company's business after the Closing Date.

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(h) The Company has at all times complied in all material respects with all applicable Laws relating to employment practices, terms, and conditions of employment, equal employment opportunity, nondiscrimination, sexual harassment, immigration, wages, hours, benefits, collective bargaining, and similar requirements, the payment of Social Security and similar Taxes, and occupational safety and health. There has been no unfair labor practice charge or complaint against the Company, nor to the Knowledge of the Company has such a charge or complaint been threatened before: (i) the National Labor Relations Board or any similar Governmental Entity; or (ii) the Equal Employment Opportunity Commission or any similar Governmental Entity responsible for the prevention of unlawful employment practices. The Company is not liable for the payment of any Taxes, fines, penalties, or other amounts, however designated, for failure to comply with any of the foregoing applicable Laws.

(i) The Company has not received any complaints or claims, whether orally or in writing, from any Person alleging failure to provide a safe working environment or accommodation related to COVID-19. The Company has implemented commercially reasonable precautions and measures regarding the COVID-19 pandemic to protect employee health, and have maintained compliance in all material respects with all applicable Laws regarding the COVID-19 pandemic.

4.13 *Contracts.*

(a) Schedule 4.13 sets forth a correct and complete list of the following Contracts (including any amendment, supplement, or modification thereto) to which the Company is a party or bound, or which is binding on any of the Company's assets, other than those that have terminated in accordance with their terms or that have no continuing rights or obligations thereunder:

(i) each customer or reseller Contract, or series of customer Contracts representing a single project or product, estimated, as of the date hereof, to generate future gross revenue to the Company in excess of \$10,000 per annum;

(ii) each Contract (or group of related Contracts with respect to a single transaction or series of related transactions) pursuant to which the Company currently leases personal property (including rolling stock) to or from any Person providing for lease payments or other payments in excess of \$10,000 per annum;

(iii) each Contract or group of related Contracts with respect to a single transaction or series of related transactions that cannot be terminated without penalty and involves future payments, performance or services, or delivery of goods or materials to or by the Company of any amount or value reasonably expected to exceed \$10,000 in any future 12-month period;

(iv) each Contract for the provision of administrative, human resources, or payroll services;

(v) each Contract containing obligations to the customers, resellers or third-party vendors, or suppliers to conduct business on an exclusive or preferential basis, or that contains a "most favored nation" or similar covenant;

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(vi) each strategic alliance, joint venture, partnership, limited liability company, or other agreement involving a sharing of profits, losses, costs or liabilities by the Company with any other Person, including employees;

(vii) each Contract that limits the freedom of the Company to compete in any line of business or within any geographic area, or restricts the Company's ability to solicit or hire any person as an employee or to solicit business from any Person;

(viii) each Contract relating to any acquisition by the Company of any operating business or equity securities of any other Person;

(ix) each Contract under which the Company has made advances or loans to another Person other than (A) extensions of credit to customers in the Ordinary Course of Business and (B) employee advances for business expenses in the Ordinary Course of Business;

(x) each Contract relating to the imposition of any Lien (other than Permitted Liens) on any of the Company's assets;

(xi) each Contract that grants any Person the exclusive right to sell products or provide services within any geographical region;

(xii) each Contract that provides for the co-branding or white-labeling of any products or services;

(xiii) each Contract that contains a provision involving a change of control of the Company requiring the consent of a third-party to, or giving a third-party the right to terminate such Contract following such change of control;

(xiv) each sales, distribution, or other similar Contract by which any Person not affiliated with the Company acts as an intermediary to facilitate the sale of materials, supplies, goods, services, equipment, or other assets of the Company and that cannot be terminated by the Company without penalty on not more than 30 days' notice;

(xv) each employment, employment change of control, retention, "stay bonus," severance, or consulting agreement with individuals, whether terminable at will or otherwise;

(xvi) each of the Company's IP Contracts (other than: (x) non-exclusive licenses, including but limited to EULAs, granted to the customers on the standard form of the Company, which form has been provided to Purchaser in accordance with Section 4.17(e); and (y) "shrink wrap" and similar generally available commercial end-user licenses to Software that is not incorporated into or used in the design, development, production, or distribution of any product or services of the Company that has an individual acquisition cost of \$10,000 or less); and

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(xvii) each Contract imposing confidentiality obligations on the Company, the Company's Affiliates, or any of the Company's employees, officers, or agents thereof, except agreements with customers that do not impose any confidentiality obligation upon the Company substantially different from the confidentiality obligations in the form customer agreements described in Schedule 4.17(e).

(b) True and complete copies of each Material Contract (including all amendments and modifications thereto) have been made available to Purchaser. With respect to each Material Contract, (i) such Material Contract is in full force and effect with respect to the Company, and, to the Knowledge of the Company, each other party thereto, and (ii) such Material Contract is the legal and valid obligation of the Company and, to the Knowledge of the Company, of each other party thereto, enforceable against the Company and, to the Knowledge of the Company, each other party thereto, in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other Laws relating to or affecting creditors' rights generally or by equitable principles (regardless of whether enforcement is sought at law or in equity). Neither the Company, nor, to the Knowledge of the Company, any other Person is in breach or default under any Material Contract and no event has occurred (including any event with notice or passage of time, or both) that is reasonably likely to give rise to a breach or default, or permit termination, material modification, or acceleration of any Material Contract.

(c) The Company has faithfully complied and continue to comply with any and all obligations to the customers, resellers or third-party vendors, and suppliers to conduct business on an exclusive or preferential basis or that contains a "most favored nation" or similar covenant with any third-party.

4.14 *Customers, Third-Party Vendors and Suppliers.*

(a) Schedule 4.14 sets forth a true and complete list, of:

(i) the 10 largest customers of the Company (based on revenue received by such customers) for the year ending December 31, 2023, and the year-to-date period in 2024 through and including April 30, 2024; and

(ii) the 10 largest third-party vendors and suppliers of the Company (based on dollar volume of purchases from such third-party vendors and suppliers) for the year ending December 31, 2023, and the year-to-date period in 2024 through and including April 30, 2024.

(b) Except as set forth on Schedule 4.14(a), none of the Persons listed on Schedule 4.14 has expressed its intention, whether orally or in writing, to discontinue, or adversely alter, its relationship with the Company (including, but not limited to, its willingness to do business with the Company).

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4.15 *Real Property.*

(a) The Company does not own, nor has the Company ever owned, any real property. Schedule 4.15 lists the following information for all real property leased by the Company ("***Real Property***"): (i) the approximate square footage being leased, (ii) a description of any common area or other shared space located on the Real Property (including server rooms) used by the Company's business, and (iii) the rental amount and any common-area or other charges currently being paid by the Company in connection with the Real Property. The Real Property constitutes all of the real property that currently is used in connection with the ownership and operations of the Company's business.

(b) The Company has paid all rent, maintenance, common-area, and other charges due and owing under the leasing arrangement or other Contract between the Company and the applicable landlord for the Real Property.

(c) Except as set forth on Schedule 4.15(c), the Real Property has received all Permits required in connection with the Company's current operation thereof and has been operated by the Company in accordance with all Laws (including all Laws relating to zoning) in all material respects. The Company has such rights of entry to and exit from the Real Property as are necessary to carry on the Company's business consistent with past practices. All utilities (including water, sewer, gas, electricity, trash removal, telephone service, and, if different, internet service) are available to the Company's business in sufficient quantities and quality to serve the Real Property adequately for conducting the Company's business as currently conducted.

(d) The Company has not received any written notice that any portion of the Real Property is subject to any proceeding for condemnation, eminent domain, or other taking by any Governmental Entity, and, to the Knowledge of the Company, no such action is threatened.

4.16 *Title to Personal Property; Inventory.*

(a) Personal Property. Schedule 4.16(a) identifies all material furniture, fixtures, office equipment, computers, hardware, and other tangible personal property used in the Company's business that is owned or leased by the Company (excluding office supplies and consumables, neither of which are material, and inventory). Except as set forth on Schedule 4.16(a), the Company is vested with good title in and to, or has the valid right to use, each item of personal property listed on Schedule 4.16(a), free and clear of all Liens except for Permitted Liens. All material items of personal property used by the Company in the Ordinary Course of Business are in good condition and repair (ordinary wear and tear excepted) and are adequate for the conduct of the Company's business in the manner in which the Company's business is currently being conducted.

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(b) Inventory. All inventory of the Company consists of a quality and quantity usable and salable in the ordinary course of business consistent with past practice, except for obsolete, damaged, defective or slow-moving items that are written off or written down to fair market value on an ongoing basis or for which adequate reserves have been established totaling up to \$20,000 in value as of the Closing Date. The items of inventory held by the Company as of Closing, and their respective values, are as set forth on the inventory report attached hereto as Schedule 4.16(b). Except as set forth on Schedule 4.16(b), (i) all such inventory is owned by the Company free and clear of all Liens, and (ii) no inventory is held on a consignment basis. The quantities of each item of inventory (whether raw materials, work-in-process or finished goods) are not excessive, but are reasonable in the present circumstances of the Company.

4.17 *Intellectual Property.*

(a) Company's Registered IP. Schedule 4.17(a) lists each item of the Company's Registered IP (including any pending applications for the Company's IP and the Company's IP Rights and also including all Registered IP, including all applications, that have been abandoned or withdrawn or that have expired), and for each such item, identifies:

(i) (A) the mark, invention title, title of the work or other descriptive identifier; (B) the jurisdiction of issuance, registration or filing, including the applicable Governmental Entity or domain name registry; (C) the patent number, registration number, issue number, serial number, application number or other identifying number; (D) the application filing date; and (E) the registration or issue date; and

(ii) (A) any other Person who has an ownership interest in or has asserted an ownership interest in or has threatened to assert an ownership interest in that item of the Company's Registered IP; (B) the nature of such ownership interest or claim of ownership; (C) whether the Person has licensed or granted other rights in the Company's Registered IP to the Company; and (D) the agreement that grants such license or other rights to the Company.

The Company has made available to Purchaser complete and accurate copies of all issuances, registrations, filings, and applications, certificates, and correspondence with any Governmental Entity and domain name registries, and other documents related to each item set forth on Schedule 4.17(a). Except as disclosed on Schedule 4.17(a), each item of the Company's Registered IP has been duly maintained and renewed in accordance with all applicable Laws.

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(b) Inbound Licenses. The Company has made available to Purchaser copies of, and Schedule 4.17(b) identifies, each of the Company's IP Contracts pursuant to which any Intellectual Property Rights or Intellectual Property is or has been licensed, sold, optioned, assigned, or otherwise conveyed or provided to the Company (other than commercially available, "off-the-shelf" Software generally available on standard terms for less than \$10,000 (e.g., Microsoft Office), or any non-exclusive license to third-party Software, content or other Intellectual Property that:

(i) is not incorporated into any of the Company's Products;

(ii) is not necessary for the use of any of the Company's Products;

(iii) is not used in the use, design, development, production, operation, hosting, marketing, promotion, or distribution of, licensing, sale, or other exploitation of, any of the Company's Products; and

(iv) is not otherwise material to the business of, or research or development by, the Company).

The consummation of the transactions contemplated by this Agreement will not result in the imposition of any new financial obligation on the Company or any successor Entity (including Purchaser) pursuant to any such Contract.

(c) Outbound Licenses. Schedule 4.17(c) identifies each of the Company's IP Contracts pursuant to which any Person has been granted any license under, or otherwise has received or acquired any right (whether or not currently exercisable) or interest in, or option to, any of the Company's IP or the Company's IP Rights, other than non-exclusive licenses granted to the Company's customers and end users pursuant to the Company's standard forms thereof, which forms have been provided to Purchaser in accordance with Section 4.17(e). Except as set forth on Schedule 4.17(c), the Company is not bound by, and neither of the Company's IP or the Company's IP Rights is subject to, any Contract containing any covenant or other provision that (i) limits or restricts the ability of the Company or any successor Entity (including Purchaser) to use, exploit, assert, transfer, or enforce any of the Company's IP or the Company's IP Rights anywhere in the world in any manner, or (ii) obligates the Company or any successor Entity (including Purchaser) to license any of the Company's IP or the Company's IP Rights, or would cause Purchaser to be required to license any Intellectual Property Rights, to any Person.

(d) Royalty Obligations. Except as disclosed on Schedule 4.17(d), there are no royalties, fees, commissions, or other amounts payable by the Company to any Person, other than salaries, commissions, bonuses or other standard variable compensation paid to the Company's employees and independent contractors by the Company in accordance with the standard form of employee agreement of the Company, which form for the Company has been provided to Purchaser in accordance with Section 4.17(e) upon or for the ownership, use, design, development, production, marketing, promotion, distribution, licensing, sale or other exploitation of any of the Company's Products or the use of any of the Company's IP or the Company's IP Rights.

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(e) Standard Form IP Agreements. The Company has made available to Purchaser a complete and accurate copy of each standard form of the Company's IP Contracts used by the Company at any time, including each standard form (if one exists) of: (i) employee agreement containing any assignment or license of the Company's IP or the Company's IP Rights or any confidentiality provision; (ii) professional services, outsourced development, consulting, work-made-for-hire, independent contractor or other agreement containing any assignment or license of Intellectual Property or Intellectual Property Rights or any confidentiality provision; (iii) customer and end user license agreement or "terms of service" or "terms of use" agreement; (iv) hosted services, application hosting and similar agreements; (v) developer agreement; and (vi) distributor, reseller, or publisher agreement. Schedule 4.17(e) identifies each of the Company's IP Contracts that deviates in any material respect from the corresponding standard form agreements provided to Purchaser, including any agreement with any of the Company's employees or former employees of the Company in which such employees expressly reserved or retained rights in any Intellectual Property or Intellectual Property Rights incorporated into or used in connection with any of the Company's Products or otherwise related to the Company's business of, or research or development by, any of the Company.

(f) Ownership Free and Clear. The Company exclusively own all rights, title and interest to and in the Company's IP and the Company's IP Rights (other than Intellectual Property or Intellectual Property Rights exclusively licensed to the Company) free and clear of any Liens other than Permitted Liens and the rights and licenses granted to third parties pursuant to those Contracts identified in Schedule 4.17(c). Without limiting the generality of the foregoing:

(i) Perfection of Rights. All documents and instruments necessary to establish, perfect, and maintain the rights of the Company in Registered IP used by the Company in the Company's business as currently conducted, have been validly executed, delivered and filed in a timely manner with the appropriate Governmental Entity or domain name registry.

(ii) Company's Workers. Except as disclosed on Schedule 4.17(f)(ii), each Person who is or was an employee or a former employee or a contractor or a former contractor of the Company who is or was involved in the creation or development of any the Company's Products has signed a valid, enforceable agreement (X) containing an irrevocable assignment (other than moral rights which are not assignable) to the Company of all Intellectual Property Rights pertaining to the Company's Products, the Company's IP and the Company's IP Rights and (Y) confidentiality provisions protecting the confidentiality of confidential or non-public information included in such of the Company's Products, the Company's IP or the Company's IP Rights. No current or former shareholder, member, manager, officer, or director of the Company, and none of the Company's current or former employees, has any claim or right (whether or not currently exercisable) or interest (including any Intellectual Property Rights), to or in any of the Company's Products, the Company's IP or the Company's IP Rights. No employee of the Company is (A) bound by or otherwise subject to any Contract restricting such employee from performing such employee's duties for the Company or (B) in breach of any Contract with any former employer or other Person concerning Intellectual Property Rights or confidentiality.

(iii) Government Rights. No funding, facilities, or personnel of any Governmental Entity or any public or private university, college, or other educational or research institution were used, directly or indirectly, to develop or create, in whole or in part, any of the Company's Products, the Company's IP, or the Company's IP Rights, and the Company has no plans to do so in the future.

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(iv) Protection of Proprietary Information. The Company has taken reasonable measures to maintain the confidentiality of and otherwise protect and enforce its rights in all proprietary information relating to any of the Company's Products or protected by any of the Company's IP or the Company's IP Rights. The Company has not taken or failed to take any action that would preclude or hinder the protection or enforcement of the Company's rights in any proprietary information relating to any of the Company's Products or protected by any of the Company's IP or the Company's IP Rights.

(v) Standards Bodies, Consortiums, and Open Source Organizations. The Company is not, and has never been, a member or promoter of, or a contributor to, any industry standards body, consortium, or open source organization or similar organization that requires or obligates the Company to grant or offer to any other Person any license or right to any of the Company's IP or the Company's IP Rights or covenant not to sue another Person based upon the Company's IP or the Company's IP Rights.

(vi) Sufficiency. The Company owns or otherwise has valid and enforceable rights, licenses, or permissions to use the Company's IP and the Company's IP Rights needed to conduct the Company's business as currently conducted.

(g) Valid and Enforceable.

(i) Validity, Misuse, and Inequitable Conduct. The Company has never engaged in patent, trademark, or copyright misuse, or any fraud or inequitable conduct in connection with any of the Company's Registered IP. No Person has asserted any claim against the Company challenging the ownership, validity, enforceability or effectiveness of any of the Company's Registered IP, any other of the Company's IP or the Company's IP Rights, or any contract relating to the Company's IP or the Company's IP Rights. To the Knowledge of the Company, there is no reasonable basis for any claim challenging the ownership, validity, enforceability or effectiveness of any of the Company's Registered IP, any other of the Company's IP or the Company's IP Rights, or any of the Company's IP Contracts.

(ii) Company's Trademarks. The Company's Trademarks do not conflict or interfere with any Trademark owned, used, or applied for by any other Person, and the Company has not used and is not using any Trademark that conflicts or interferes with any Trademark owned, used, or applied for by any other Person. No event or circumstance (including a failure to exercise reasonable quality controls or an assignment in gross without the accompanying goodwill) has occurred or exists that has resulted in the abandonment of the Company's Trademarks (whether registered or unregistered) owned, used, or applied for by the Company, except for such issuances, registrations or applications that the Company has abandoned, or permitted to expire or be cancelled, in its reasonable business judgment.

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(iii) Laws and Deadlines. All filings, payments, and other actions required to be made or taken to maintain in full force and effect each item of the Company's Registered IP have been made by the applicable deadline. No application for a patent or a copyright or trademark registration or any other type of the Company's Registered IP filed by or on behalf of the Company has been abandoned, allowed to lapse or rejected, except for such issuances, registrations or applications that the Company has abandoned, or permitted to expire or be cancelled, in its reasonable business judgment. All renewal and maintenance payments for the Company's Registered IP identified on Schedule 4.17(a) that must be made on or before the date that is 60 days after the date of this Agreement to maintain the Company's Registered IP have been paid. Schedule 4.17(g)(iii) identifies and describes each action, filing, and payment that must be taken or made on or before the date that is 120 days after the date of this Agreement in order to renew or maintain each such item of the Company's Registered IP in full force and effect.

(iv) Interference Proceedings and Similar Claims. No post grant proceeding, pre-grant challenge or opposition, interference, opposition, reissue, reexamination, or other proceeding of any nature is or has been pending or, to the Knowledge of the Company, threatened, in which the scope, validity, or enforceability of any of the Company's IP Rights is being or has been contested or challenged.

(v) Company's Positions. The Company has no reason to believe that, nor has the Company ever taken a position that, any of the Company's Registered IP or any other of the Company's IP or the Company's IP Rights is invalid or unenforceable.

(h) Third-Party Infringement of Company's IP Rights. Except as set forth in Schedule 4.17(h), to the Knowledge of the Company, no Person has infringed, misappropriated, diluted or otherwise violated and no Person is currently or is suspected of currently infringing, misappropriating, diluting or otherwise violating, any of the Company's IP Rights. Schedule 4.17(h) identifies (and the Company has made available to Purchaser a complete and accurate copy of) each letter or other written or electronic communication or correspondence that has been sent or otherwise delivered by or to the Company regarding any actual, alleged, or suspected infringement, misappropriation, dilution or other violation of any of the Company's IP Rights and provides a brief description of the current status of the matter referred to in such letter, communication, or correspondence.

(i) No Infringement of Third-Party IP Rights. Except as set forth in Schedule 4.17(i), the Company's operation of the Company's business, the Company's IP, and the use of the Company's Products and the Company's IP do not infringe (directly, contributorily, by inducement, or otherwise), misappropriate, dilute or otherwise violate any Intellectual Property Rights of any other Person. Without limiting the generality of the foregoing:

(i) Infringement by Company's Products, or Company's IP. No use, sale, or importation of any of the Company's Products or the Company's IP, and no method or process used by the Company in the use, design, development, production, marketing, promotion, distribution, licensing, sale, or other exploitation of any of the Company's Products or the Company's IP:

(A) infringes, misappropriates, dilutes, violates or otherwise makes unlawful use of any Intellectual Property Rights of, or contains any Intellectual Property misappropriated from, any other Person; or

(B) violates the rights of privacy or publicity, or violates the "moral rights of authors" of any Person.

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(ii) Indemnification Provisions; Infringement Claims. Except as identified on Schedule 4.17(i)(ii), the Company is not bound by any agreement of indemnification relating to Intellectual Property or Intellectual Property Rights other than agreements with customers that do not impose indemnity obligations on the Company that are substantially different than the form customer agreements included in Schedule 4.17(e). No Claim asserting Intellectual Property Rights infringement, misappropriation, dilution or violation or similar claim or proceeding is pending or, to the Knowledge of the Company, has been threatened against the Company or against any Person who is or may be entitled to be indemnified, defended, held harmless, or reimbursed by the Company with respect to such Claim. Except as set forth on Schedule 4.17(i)(ii), the Company has never received any written notice or other written communication relating to any actual, alleged, or suspected infringement, misappropriation, dilution or violation by the Company, or any of the Company's current or former employees, or any of the Company's Products or the Company's IP, of any Intellectual Property Rights of another Person, including any letter or other communication suggesting that the Company is or was required to obtain a license to any Intellectual Property Rights of another Person.

(iii) Infringement Claims Affecting In-Licensed IP. No Claim involving any Intellectual Property or Intellectual Property Rights licensed to the Company is pending or, to the Knowledge of the Company, has been threatened, except for any such claim or proceeding that, if adversely determined, would not adversely affect (A) the use or exploitation of such Intellectual Property or Intellectual Property Rights by the Company, or (B) the ownership, use, design, development, production, marketing, promotion, distribution, licensing, sale or other exploitation of any of the Company's Products.

(j) Harmful Code. None of the Company's Software contains any "back door," "drop dead device," "time bomb," "Trojan horse," "virus," or "worm" (as such terms are commonly understood in the software industry) or any similar mechanism or device, or any other code designed or intended to have, or intended to be capable of performing, any of the following functions: (i) disrupting, disabling, harming, or otherwise impeding in any manner the operation of, or providing unauthorized access to, a computer system or network or other device on which such code is stored or installed; or (ii) collecting, damaging or destroying any information, data or file, in each case, without the user's consent.

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(k) Software and Source Code. Other than Open Source Code, no portion of any Source Code for any of the Company's Software has been delivered, licensed, or made available to any escrow agent or other Person who is not, as of the date of this Agreement, an employee or independent contractor of the Company. Other than Open Source Code, the Company has no duty or obligation (whether present, contingent, or otherwise) to deliver, license, or make available the Source Code for any of the Company's Software to any escrow agent or other Person. None of the Company's Software:

(i) has been donated to the public;

(ii) has otherwise been made available as Open Source Code; or

(iii) has been disclosed in Source Code or object code form to the public.

(l) Software Audit. The Company is fully and properly licensed to use all Software that the Company uses or that are otherwise in the Company's possession. The Company has not received any communication from any Software owner or from any Person claiming to have rights granted by any Software owner challenging the Company's rights to use any Software or claiming to have information that the Company is not fully licensed to use any Software.

(m) Open Source Code.

(i) Schedule 4.17(m)(i) identifies and describes: (A) each item of Open Source Code that is contained in, distributed with, used in the distribution of the Company's Software, or from which any part of any of the Company's Software is derived, (B) the applicable license for each such item of Open Source Code, (C) the Company's Software to which each such item of Open Source Code relates, and (D) whether the Open Source Code is used, modified and/or distributed by the Company. The Company has complied with all terms and conditions of the license for each such item of Open Source Code, including all requirements pertaining to attribution and copyright notices.

(ii) None of the Company's Software contains, is derived from, linked to, or is distributed with or is being or was developed using, Open Source Code in such a way that creates obligations for the Company (A) to disclose, license or distribute the Company's Software in Source Code form, (B) to license the Company's Software for the purpose of making modifications or derivative works or (C) to redistribute the Company's Software at no charge.

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(n) Personal Data and Data Security Practices.

(i) Schedule 4.17(n) identifies:

(A) the Company's Databases containing (in whole or in part) Personal Data, if any, that is or has been processed, stored, controlled, transferred, or maintained by the Company; and

(B) the privacy and data security policies and practices that have been adopted, implemented, and maintained by the Company to protect the confidentiality, integrity, and security of Personal Data, the Company's Databases, and the Company's servers, systems, sites, circuits, networks, and other computer and telecommunications assets and equipment (and all information and transactions stored or contained therein or transmitted thereby) against any unauthorized use, access, interruption, modification, or corruption, in conformance with applicable privacy or security requirements of the Company (collectively, the "**Business Security Policies**"), or the privacy or security policies required by customers of the business of the Company (the "**Customer Security Policies**").

(ii) The Company uses and has at all times adhered to administrative, procedural, and technical safeguards compliant with (A) the Business Security Policies; (B) the Customer Security Policies; (C) all applicable rules of self-regulatory organizations, including the Payment Card Industry Data Security Standard (PCI DSS); and (D) all applicable industry standards, guidelines and best practices, including the National Institute of Standards and Technology (NIST) Cybersecurity Framework.

(o) Privacy

(i) Except as set forth on Schedule 4.17(o)(i), the Company has complied at all times in all respects with all applicable Laws pertaining to the collection, transfer, access, disclosure, retention, deletion, storage, use, or other processing of Personal Data, including any and all applicable Data Protection Laws.

(ii) The Company has adopted policies and implemented effective procedures that apply to the Company's practices with respect to the fair and legal collection, transfer, access, disclosure, retention, deletion, storage, use, or other processing of Personal Data ("**Privacy Policies**"). These Privacy Policies are compliant with all applicable Data Protection Laws, and provide limitations on the collection, use, and disclosure of Personal Data by Persons who are authorized by the Business Security Policies to have access to such Personal Data. The Company complies in all respects with the Privacy Policies.

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(iii) Except as set forth on Schedule 4.17(o)(iii), no data breach (including any unauthorized access, disclosure, use, modification, corruption, loss, or theft of any Personal Data) or violation of any applicable Laws or contractual obligations concerning privacy, with respect to any Personal Data stored or otherwise processed by the Company, has occurred or is occurring with respect to such Personal Data stored or otherwise processed by the Company, or has been or is threatened in writing against the Company (collectively, “**Privacy Incident**”). The Company has not received any notice of any, and there is no, investigation or inquiry, complaint, or claims relating to a violation of the information privacy or data security practices (including collection, transfer, access, disclosure, retention, deletion, storage, processing, or use) concerning Personal Data in the Company’s possession or control or any Privacy Incident that has been made or reported by, or is being, or has been, conducted by, any consumer, Governmental Entity, consumer advocacy groups, industry or trade organizations, privacy seal or certification programs, privacy groups, or members of media, or other third party that has standing under applicable Data Protection Laws to make a complaint or claim relating to Personal Data or a Privacy Incident. The Company has not notified and, there have been no facts or circumstances that would require the Company to notify, any Governmental Entity or other Person of any Privacy Incident. Any and all payments made or facilitated by the Company in connection with any Privacy Incident, if any, have been made in compliance with all Laws.

(iv) Whether conducted by “screen scraping” or “database scraping” (as such terms are commonly understood in the software industry), or by manual means, the Company (A) has not violated or infringed upon the rights of any Person or Entity, breached any terms of service, duty or obligation owed to any Person or Entity, or violated the privacy or any Law relating to the privacy of any Person, including in connection with the use of third-party data, databases, websites, or content in conjunction with the Company’s business, and (B) are not bound by an effective undertaking or agreement to cease and desist from including in the Company’s Products any third-party data, databases or parts of a database, websites or parts of a website, or content.

(v) The Company has made available to Purchaser the most recent critical systems security audit and vulnerability assessment for the Company. The Company has addressed and remediated all high risk threats and deficiencies identified in any such assessment.

(vi) Schedule 4.17(o)(vi) identifies all changes and modifications to any of the Company’s Software made in the previous three (3) years to protect against known or suspected security threats or incidents, and (A) identifies the Software, (B) identifies the date that the changes were launched, (C) identifies and describes the known or suspected security threat or incident and (D) describes the changes or modifications.

(p) Effect of this Transaction. Neither the execution, delivery nor performance of this Agreement (or any of the other Transaction Documents) nor the consummation of any of the other transactions contemplated hereby (or by any of the other Transaction Documents) will, with or without notice or lapse of time, result in, or give any Person the right or option to cause or declare, any violation of any applicable Law pertaining to privacy or data security of Personal Data.

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(q) Company's Products. Schedule 4.17(q) describes each of the Company's Products currently being commercialized by the Company or in development. In the last five (5) years, each of the Company's Products has conformed and complied in all respects with the terms and requirements of any applicable warranty or other Contract and in all material respects with all applicable Laws.

(r) Orders Limiting Use. None of the Company's IP or the Company's IP Rights is subject to any Order that (i) limits or restricts the ability of the Company or any successor Entity to use, exploit, assert, transfer or enforce any of the Company's IP or the Company's IP Rights anywhere in the world in any manner in any respect, or (ii) obligates the Company or any successor Entity (including Purchaser) to license any of the Company's IP or the Company's IP Rights, or would cause Purchaser to be required to license any Intellectual Property Rights of Purchaser, to any Person.

(s) Company's Unregistered Trademarks. Schedule 4.17(s) lists all unregistered Trademarks owned by, licensed to, or used by the Company. Except as set forth on Schedule 4.17(s), during the five-year period preceding the date of this Agreement, the Company has not used or conducted business under any name other than its current corporate name. With respect to each item listed on Schedule 4.17(s), the Company has made available: (i) all documents relating to the first use thereof, (ii) all documents relating to the first use thereof in interstate commerce, (iii) samples of all advertising and brochures making use thereof, and (iv) all documents relating to the selection of and decision to use such unregistered Trademark.

(t) Information. The Company has made available to Purchaser all documents and information to which the Company has access reasonably related to the Company's IP (including the patent files, patent application files, Trademark files, and copyright files of the Company and their counsel), including correspondence, agreements, and other communications with current and former employees of the Company, and third parties relating in any way to the Company's IP or use or exploitation thereof.

4.18 Insurance.

(a) Schedule 4.18 sets forth a complete list of the policies of insurance and self-insurance arrangements currently maintained by the Company. The Company has made available to Purchaser true and correct copies of all such insurance policies and self-insurance arrangements.

(b) All policies listed on Schedule 4.18 are in full force and effect. All premiums due with respect to all periods to and including the Closing Date have either been paid or adequate provision for the payment thereof by the Company has been made. The Company is not in default under any provisions of any such policy of insurance. The Company has not cancelled, received written notice of any increase of the premiums with respect to, cancellation of, non-renewal or, to the Knowledge of the Company, threatened cancellation or non-renewal of any such policy of insurance without replacement thereof. All such insurance policies will remain in full force and effect immediately following the consummation of the transactions contemplated hereby.

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(c) Schedule 4.18 sets forth a list of all claims (other than health insurance claims) made since January 1, 2022, by the Company under any insurance policy listed on Schedule 4.18, or any predecessor policies. All occurrences and losses covered by any of the policies have been properly reported to and accepted by the applicable insurer. There are no claims (other than health insurance claims) by the Company under any of such policies relating to the Company's business, assets, or properties as to which any insurance provider has informed the Company that such provider is denying liability or defending, questioning, or disputing under a reservation of rights or similar clause, and all such claims have been satisfied or are pending with an insurance carrier. The Company has not made any claims under any insurance policy due to business interruption as a result of COVID-19.

4.19 **Bank Accounts; Powers of Attorney.** Schedule 4.19 sets forth a correct and complete list of each bank, trust company, savings institution, brokerage accounting firm, mutual fund, or other financial institution with which the Company has an account, safe deposit, or lock box, and such list correctly specifies for each account the type of account (e.g., checking account, payroll, etc.) and the names and identification of all persons authorized to draw on it or to have access to it. None of such accounts is a cash collateral account. There are no outstanding powers of attorney executed on behalf of the Company in respect of any of the accounts listed on Schedule 4.19.

4.20 **Related Party Transactions.** Except as set forth on Schedule 4.20, neither the Company, nor Sellers, nor any Related Person thereof:

(a) has any interest in any assets of the Company or any property (whether real, personal, or mixed, and whether tangible or intangible) used in or pertaining to the Company's business; or

(b) to the Knowledge of the Company, has any interest in any competitor of the Company's business or any supplier, vendor, customer, or other business relation of the Company's business; or

(c) provides or receives any other benefit in connection with the Company's business other than salaries and other employment/independent contractor-related services and compensation in the Ordinary Course of Business, and there are no outstanding notes payable to, accounts receivable from, or advances by the Company to, and the Company otherwise is not a creditor of, any Related Person of the Company or Sellers, or any Affiliate of the Company or Sellers. Except as set forth on Schedule 4.20, there are no actions or proceedings pending against the Company, or, to the Knowledge of the Company, threatened against the Company, in each case, relating to the Company, on the one hand, and any current or former officer, director or shareholder of the Company (including any Seller), or any Related Person thereof, on the other hand.

4.21 **Brokers' Fees.** Except as set forth on Schedule 4.21, neither the Company nor any Seller is liable for any investment banking fee, finder's fee, brokerage payment, or other like payment in connection with the origination, negotiation, or consummation of the transactions contemplated herein.

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ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Sellers that the statements contained in this Article V are true and correct as of the Closing Date (unless a representation or warranty is made as of a specific earlier date, in which case, as of such earlier date):

5.1 *Organization and Authority of Purchaser.* Purchaser is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Delaware. Purchaser has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Purchaser is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Purchaser of this Agreement and any other Transaction Document to which Purchaser is a party, the performance by Purchaser of its obligations hereunder and thereunder, and the consummation by Purchaser of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser, and (assuming due authorization, execution, and delivery by each other Party) this Agreement constitutes a legal, valid, and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other Laws relating to or affecting creditors' rights generally or by equitable principles (regardless of whether enforcement is sought at law or in equity). When each other Transaction Document to which Purchaser is a party has been duly executed and delivered by Purchaser (assuming due authorization, execution, and delivery by each other Party thereto), such Transaction Document will constitute a legal and binding obligation of Purchaser enforceable against it in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other Laws relating to or affecting creditors' rights generally or by equitable principles (regardless of whether enforcement is sought at law or in equity).

5.2 *No Conflicts; Consents.* The execution, delivery, and performance by Purchaser of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the Charter Documents of Purchaser; (b) conflict with or result in a material violation or breach of any provision of any Law or governmental Order applicable to Purchaser or (c) require the consent, notice, or other action by any Person under any Contract to which Purchaser is a party. No consent, approval, Permit, governmental Order, declaration, or filing with, or notice to, any Governmental Entity is required by or with respect to Purchaser in connection with the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby.

5.3 *Legal Proceedings.* There are no Legal Proceedings pending or, to the knowledge of Purchaser after reasonable inquiry, threatened, that challenge the validity or enforceability of Purchaser's obligations under this Agreement and the other Transaction Documents or seek to prevent, delay, or otherwise would reasonably be expected to adversely affect the consummation by Purchaser of the transactions contemplated herein or therein.

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5.4 **Brokers' Fees.** Other than to [***], Purchaser is not liable for any investment banking fee, finder's fee, brokerage payment, or other like payment in connection with the origination, negotiation, or consummation of the transactions contemplated herein. Purchaser is not a party to any agreement which might give rise to any valid claim against Sellers for any such fee, commission, or similar payment.

ARTICLE VI COVENANTS AND OTHER AGREEMENTS

6.1 *Tax Covenants.*

(a) Purchaser shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company and its assets and business for all Tax periods ending on or prior to the Closing Date for which such Tax Returns have not previously been prepared or filed by the Company, including Tax Returns related to the sale of the Company and the Company Shares. All such Tax Returns shall be prepared in a manner consistent with prior practice, unless otherwise required by applicable Law. Purchaser shall provide any such Tax Return to the Sellers' Representatives at least fifteen (15) Business Days before such Tax Return is due and permit the Sellers' Representatives to review and comment on each such Tax Return prior to filing, and shall consider in good faith comments made by the Sellers' Representatives with respect to each such Tax Return. The Sellers' Representatives shall furnish Purchaser with all information available to them that is reasonably requested by Purchaser to allow Purchaser to satisfy its obligations under this Section 6.1 in accordance with past custom and practice.

(b) Purchaser shall prepare or cause to be prepared and file or cause to be filed any Tax Return of the Company for any Tax period that begins on or before, and ends after, the Closing Date (the "**Straddle Period**", and any such Tax Return, a "**Straddle Period Tax Return**"). All Tax Returns for any Straddle Period shall be prepared in a manner consistent with prior practice unless otherwise required by applicable Laws. Purchaser shall provide any such Straddle Period Tax Return to the Sellers' Representatives at least fifteen (15) Business Days before such Tax Return is due and permit the Sellers' Representatives to review and comment on each such Tax Return prior to filing, and shall consider in good faith comments made by the Sellers' Representatives with respect to each such Tax Return. Purchaser shall also prepare or cause to be prepared and file or cause to be filed any Tax Return of the Company for any period beginning after the Closing Date.

(c) Sellers, severally and not jointly, shall be responsible for all Taxes in respect of the Company and its assets and business for whole or partial taxable periods and activities or events occurring within such periods ending on or before the Closing Date upon a determination that such Tax is payable or on written demand, whichever is later. Any and all indemnification related to this Section 6.1(c) shall not be limited by the Basket, defined in Section 7.3(a) below.

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(d) Purchaser and the Company shall be responsible for all Taxes in respect of the Company and the Company's assets and business for whole or partial taxable periods and activities or events occurring within such periods beginning after the Closing Date.

(e) For purposes of applying this Tax proration agreement with respect to Straddle Periods, the following conventions shall be used:

(i) In the case of any sales, use, gross receipts, excise, income, and employment Taxes and similar Taxes that are measured by, imposed on, or generated by activity that are payable with respect to a Straddle Period, the portion of such Taxes allocable to (A) the portion of the Straddle Period ending on the Closing Date (the "***Pre-Closing Tax Period***"), for which Sellers are responsible, and (B) the portion of the Straddle Period beginning on the day next succeeding the Closing Date (the "***Post-Closing Tax Period***"), for which Purchaser and/or the Company are responsible, shall be determined on the basis of a deemed closing at the end of the Closing Date of the books and records of the Company; provided, however, that any transactions out of the Ordinary Course of Business engaged in by Purchaser or the Company that occur on the Closing Date but after the effective time of the Closing shall be allocated to the Post-Closing Tax Period.

(ii) In the case of any Taxes imposed on a periodic basis, or not measured by activity, such as property Taxes, that are payable with respect to a Straddle Period, the portion of such Taxes allocable to the Pre-Closing Tax Period shall be equal to the product of all such Taxes multiplied by a fraction the numerator of which is the number of days in the Straddle Period from the commencement of the Straddle Period through and including the Closing Date and the denominator of which is the number of days in the entire Straddle Period (with Purchaser and/or the Company responsible for the remainder); provided, however, that appropriate adjustments shall be made to reflect transactions out of the Ordinary Course of Business that can be identified and specifically allocated as (A) occurring in the Pre-Closing Tax Period (in which case Sellers shall be responsible for any Taxes related thereto) or (B) occurring in the Post-Closing Tax Period (in which case, Purchaser and/or the Company shall be responsible for any Taxes related thereto); provided, that if a transaction occurs in a period and has an actual cash Tax effect in both periods, such as a capital improvement that increases property Taxes, the effect of the transaction shall be pro-rated from the date it has effect.

(f) The Company, Purchaser, and the Sellers' Representatives shall cooperate with each other in connection with the filing of any Tax Returns and any audit, litigation, or other proceeding with respect to Taxes. Such cooperation shall include making available to the other reasonably knowledgeable individuals in their employ who may have knowledge or who can be helpful with respect to such Tax matters. The Company shall retain as of the Closing, and the Sellers' Representatives agree to transfer to Purchaser, all books and records (or copies of such books and records) in the Company's or the Sellers' possession relating to Taxes in respect of the Company and the Company's business relating to any taxable period beginning on or before the Closing Date that are relevant to whole or partial Tax periods beginning after the Closing Date.

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(g) Notwithstanding anything to the contrary contained in this Agreement, Purchaser shall have the sole right to control and make all decisions regarding any Tax audit or administrative or court proceeding relating to Taxes of the Company, including selection of counsel and selection of a forum for such contest.

(h) Notwithstanding anything set forth in this Agreement to the contrary, all transfer, documentary, sales, use, stamp, registration, value added, and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the transactions contemplated hereby and the other Transaction Documents (including any real property transfer Tax and any other similar Tax) ("**Transfer Taxes**") shall be borne and paid when due entirely by Sellers (or the Sellers' Representatives on behalf of Sellers), and the Sellers' Representatives (on behalf of Sellers), at their own expense, shall timely file all necessary any Tax Return and other documentation with respect to all such Transfer Taxes (and Purchaser shall cooperate with respect thereto as necessary).

(i) Purchaser shall not amend or cause to be amended any Tax Return of the Company for any taxable period ending on or before the Closing Date if such amendment would result in an increase of Taxes that would entitle Purchaser to be reimbursed by Sellers, unless such amendment is required by applicable Laws. Sellers shall not have any obligation for any Taxes, or for any indemnity hereunder relating to any Taxes, relating to a pre-Closing period that results from or arises out of a post-Closing election or filing by Purchaser, unless such filing is required by applicable Laws.

(j) Any and all existing Tax-sharing arrangements (whether written or not) binding upon the Company shall be terminated as of the Closing Date. After such date, none of the Company, Sellers, nor any of Sellers' Affiliates, nor their respective Representatives shall have any further rights or liabilities thereunder.

(k) This Section 6.1 shall control to the extent there is any inconsistency between it and Article VII.

(l) The Company and each Seller shall join with Purchaser in making, and shall take any and all actions necessary to effect, an election under Section 338(h)(10) of the Code (and any corresponding election under state, local, and foreign Law) with respect to the purchase and sale of the Company Stock hereunder (collectively, a "**Section 338(h)(10) Election**"). Sellers shall include any income, gain, loss, deduction or other Tax item resulting from the Section 338(h)(10) Election on their Tax Returns to the extent required by applicable Law. Sellers and Purchaser shall, within ten (10) days prior to the date such form is required to be filed under applicable Law, exchange completed and executed copies of IRS Form 8883, required schedules thereto, and any similar state, local or foreign forms. The completed and executed IRS Form 8883 shall reflect the allocation schedule determined pursuant to Section 6.1(n). Sellers and Purchaser shall report the purchase and sale of the Company Stock consistent with the treatment of the purchase of the Company Stock as a "qualified stock purchase" and consistent with the Section 338(h)(10) Election and shall take no position inconsistent therewith in any Tax Return, any proceeding before any Taxing Authority or otherwise.

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(m) Purchaser agrees to indemnify Sellers for any Additional Tax Liabilities (as hereinafter defined) that Sellers incur with respect to the purchase and sale of the Company Stock hereunder. For purposes of this Agreement, the “Additional Tax Liabilities” shall mean: $X - Y + Z$, where (X) is the total amount of federal income Tax (after giving effect to the deductibility of any state and local income Taxes) and state and local income Taxes which are required to be paid by Sellers and which are attributable solely to the sale by Sellers of the Company Stock as contemplated hereby, determined with the Section 338(h)(10) Election in effect; (Y) is the total amount of federal income Tax (after giving effect to the deductibility of any state and local income Taxes) and state and local income Taxes which would be required to be paid by Sellers and which are attributable solely to the sale by Sellers of the Company Stock as contemplated hereby, determined as if the Section 338(h)(10) Election was not in effect; and (Z) is the amount of federal income Tax (after giving effect to the deductibility of any state and local income Taxes) and state and local income Taxes required to be paid by Sellers as a result of Sellers receiving payments pursuant to this Section 6.1(m).

(i) The Sellers’ Representatives may at any time within one hundred twenty (120) calendar days after the Closing deliver to Purchaser a schedule showing Sellers’ calculation of the amount of Additional Tax Liabilities (an “**ATL Schedule**”), along with all relevant documentation and other information which served as the basis upon which the calculation of the amount of Additional Tax Liabilities contained in the ATL Schedule was made.

(ii) Within thirty (30) calendar days after receipt of an ATL Schedule, Purchaser shall notify the Sellers’ Representatives in writing whether it accepts or disputes the accuracy of the items contained in such ATL Schedule. During such thirty (30) day period, the Sellers’ Representatives and their representatives shall cooperate with Purchaser and its representatives as Purchaser may reasonably request to respond to such ATL Schedule. Such ATL Schedule and the resulting calculation of the Additional Tax Liabilities shall become final and binding upon the Parties thirty (30) calendar days following Purchaser’s receipt thereof unless Purchaser has delivered written notice of its disagreement (an “**ATL Dispute Notice**”) to the Sellers’ Representatives prior to such date; provided that such ATL Schedule and the resulting calculation of the Additional Tax Liabilities shall become final and binding upon the Parties upon Purchaser’s delivery, prior to the expiration of the thirty (30) day period, of written notice to the Sellers’ Representatives of its acceptance of such ATL Schedule.

(iii) Any ATL Dispute Notice shall specify the amounts of any adjustments that are necessary in Purchaser’s judgment for the computations in such ATL Schedule to conform to the requirements of this Agreement and the basis for Purchaser’s suggested adjustments. If a timely ATL Dispute Notice is delivered by Purchaser, then during the thirty (30) day period following delivery of the ATL Dispute Notice, Purchaser and the Sellers’ Representatives shall work together in good faith to resolve any such disagreements. During such thirty (30) day period, Purchaser and the Sellers’ Representatives and their respective representatives shall be provided with reasonable access to the files and records of the Company and Sellers as reasonably requested to negotiate and resolve the items set forth in the ATL Dispute Notice. If Purchaser and the Sellers’ Representatives resolve their differences over the disputed items in accordance with the foregoing procedure, such ATL Schedule shall be revised to the extent necessary to reflect any resolution agreed to by Purchaser and the Sellers’ Representatives.

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(iv) If Purchaser and the Sellers' Representatives are unable to resolve any disputed matters outstanding within such thirty (30) day period, all disputed matters raised by Purchaser not so resolved shall be submitted to the Accounting Firm for final resolution. The Accounting Firm shall resolve all disputed issues in a manner consistent with this Section 6.1(m). The Accounting Firm's documented fees and expenses shall be borne equally by the Sellers' Representatives (on behalf of Sellers) and Purchaser. Except as provided in the preceding sentence, all other costs and expenses incurred by the Parties in connection with resolving any dispute hereunder before the Accounting Firm shall be borne by the party incurring such cost and expense. Purchaser and the Sellers' Representatives shall make readily available to the Accounting Firm all relevant books and records and any other information of their accountants (to the extent permitted by such accountants) relating to the Earnout Statement and the Earnout Dispute Notice and all other items reasonably requested by the Accounting Firm in connection therewith.

(v) Purchaser shall pay to Sellers, by wire transfer of immediately available funds to an account specified by the Sellers' Representatives, the Additional Tax Liabilities within ten (10) calendar days following the final determination of the amount of the Additional Tax Liabilities.

(n) Purchaser, the Company and Sellers agree that the Purchase Price and the liabilities of the Company and any other relevant items (the "**Section 338(h)(10) Consideration**") shall be allocated among the assets of the Company for all purposes (including Tax and financial reporting) in a manner consistent with Code Sections 338 and 1060 and the regulations thereunder, based upon the fair market values of such assets consistent with the allocation schedule attached hereto as Schedule 6.1(n) (the "**Allocation Schedule**"). Purchaser, the Company and Sellers shall file all Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with the Allocation Schedule. Any adjustments to the total consideration paid for the Company Stock, including as a result of the payment of Earnout Payments, shall be allocated in a manner consistent with the Allocation Schedule, the Allocation Schedule shall be adjusted as appropriate, and the Purchaser and Sellers' Representatives shall reasonably cooperate in making any such adjustments.

(o) Notwithstanding anything to the contrary herein, in the event that Section 174 of Code is retroactively amended to permit immediate recognition of research and development expenses (including without limitation software development), the Sellers may cause the Company to amend prior year(s) tax returns to take advantage of such recognition to the extent permitted by Section 174 as so amended and shall be entitled to retain any tax refunds obtained in connection therewith, provided, however, that Sellers shall reimburse Company and Purchaser for all costs reasonably incurred in compliance with this Section 6.1(o).

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6.2 Confidentiality.

(a) For a period from the date hereof until the later of (i) the fifth (5th) anniversary of the Closing Date or (ii) with respect to information which constitutes a trade secret under applicable Laws, for so long as such information is protectable under applicable Law for trade secrets, each Seller agrees to not disclose any information (including know-how, processes, trade secrets, customer lists, and other confidential matters) of the Company or the transactions contemplated hereby, either oral or written, as well as any reports, analyses, compilations, data, studies, or other documents developed or prepared by any Party that contain or otherwise reflect or are generated from such information, including this Agreement and all related schedules and attachments (collectively, “**Confidential Information**”), except:

- (i) in response to a request or Order of a Governmental Entity,
- (ii) as otherwise required by Law,
- (iii) if such information is or becomes part of the public domain, other than as a result of a breach of this section by Sellers, or
- (iv) in connection with enforcing the Sellers’ rights and/or administering claims under this Agreement.

(b) In the event that a Seller is requested or required (by oral questions, interrogatories, subpoena, civil investigative demand, discovery requests for information or documents, or other similar process) to disclose any such Confidential Information, such Seller shall provide Purchaser with prompt written notice of any such request or requirement so that Purchaser may seek a protective Order or other appropriate remedy. If, in the absence of a protective Order or other remedy or the receipt of a waiver from Purchaser, such Seller is nonetheless, in the reasonable opinion of such Seller’s counsel, legally compelled to disclose such Confidential Information, such Seller may, without liability hereunder, disclose such Confidential Information.

6.3 Non-competition and Solicitation.

(a) Each Key Person agrees that to protect the Confidential Information and other legitimate business interests of the Company, such Key Person agrees to the limitations and restrictions set forth in this Section 6.3. Purchaser and each of the Key Persons agree that Purchaser is entering into this Agreement in reliance on the limitations and restrictions set forth in this Section 6.3. The Key Persons agree that the limitations and restrictions as to scope of activity, geography, and time set forth in this Section 6.3 are not oppressive and are reasonable and necessary to protect Purchaser’s substantial and legitimate business interests with respect to the Company Stock and that the limitations and restrictions in this Section 6.3 are being imposed on the Key Persons as sellers of the Company Shares under this Agreement.

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(b) Except for any such actions undertaken for or on behalf of Purchaser or any Affiliate of Purchaser, each Key Person agrees that, during the period beginning on the date hereof and ending on the fourth (4th) anniversary of the Closing Date (the “***Restricted Period***”), such Key Person will not, and will cause his or its Affiliates not to, directly or indirectly, for such Key Person or on behalf of any other Person:

(i) other than as an employee of or for the benefit of the Company or Purchaser (or any Affiliate of Purchaser), engage or participate (or assist any Person to engage or participate) in the ownership, design, development, production, marketing, promotion, distribution, licensing, sale, or other exploitation of any products or services which compete, anywhere in the world, with the Company’s Products or with the business conducted by the Company on the Closing Date; or

(ii) call upon, sell to, or solicit any customer, reseller, or supplier of the Company for purposes of selling any product or service similar to any product or service sold by the Company, or divert, or take away any customer, reseller, or supplier of the Company, or cause any customer, reseller, or supplier of the Company to cease doing business with the Company or Purchaser (or any Affiliate of Purchaser).

(c) As used in this Section 6.3, the phrase “on behalf of any other Person” includes acting as a partner, owner, investor, shareholder, member, manager, principal, agent, officer, director, employee, technical advisor, lender, trustee, beneficiary, consultant, or in any other capacity with any other Person.

(d) Each Key Person agrees that, during the Restricted Period, such Key Person will not, directly or indirectly, for himself or itself or on behalf of any other Person:

(i) hire or solicit for employment, or cause to be hired or solicited for employment, any employee of the Company (A) who was an employee of the Company immediately prior to the Closing or (B) who is, at any time during the Restricted Period, an employee of the Company or any of the Company’s Affiliates, whether or not such employee was employed by the Company immediately prior to the Closing (a “***Covered Employee***”); or

(ii) induce, persuade, or encourage, or attempt to induce, persuade, or encourage, any Covered Employee to terminate such employee’s position with the Company.

(e) A Key Person will not be in violation of this Section 6.3 solely by owning as a passive investment (i.e., so long as they are not serving as an agent, officer, employee, director, advisor, consultant, or in a similar capacity or position), securities of any publicly-traded Entity, as long as such Key Person does not, directly or indirectly, beneficially own in the aggregate more than 1% of all classes of outstanding equity securities of such Entity.

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(f) Because of the difficulty of measuring economic losses to Purchaser as a result of a breach of the foregoing provisions of this Section 6.3, and because of the immediate and irreparable damage that could be caused to Purchaser for which Purchaser would have no other adequate remedy, each Key Person agrees that the foregoing covenants may, in addition to any other available legal remedies, be enforced by Purchaser, in the event of breach by a Key Person, by injunctions and restraining Orders. Each Key Person further agrees to waive any requirement for Purchaser's securing or posting of any bond in connection with any such remedy.

(g) The covenants in this Section 6.3 are severable and separate, and the unenforceability of any specific covenant shall not affect any other covenant. In the event any court of competent jurisdiction shall determine that the scope, time, or territorial restrictions set forth in this Section 6.3 are unreasonable, then it is the intention of the Parties that such restrictions be enforced to the fullest extent that the court deems reasonable, and the Agreement shall thereby be reformed.

(h) The Purchaser and the Key Persons hereby acknowledge and agree that no amount of the Purchase Price is allocable to the covenants contemplated in this Section 6.3 and the covenants contemplated in this Section 6.3 are integral to this Agreement and are being provided to maintain and preserve the value of the Company Shares.

6.4 Public Announcements. Upon the Closing, Purchaser and the Sellers' Representatives shall issue a mutually agreed upon press release announcing the transactions contemplated hereby.

6.5 Release.

(a) As of the Closing Date, each Seller hereby fully and irrevocably releases, acquits, and forever discharges the Company, the Company's Affiliates, and past, present and future officers, directors, partners, general partners, limited partners, managing directors, members, shareholders, trustees, representatives, employees, principals, agents, Affiliates, parents, Subsidiaries (direct and indirect), joint ventures, predecessors, successors, assigns, beneficiaries, heirs, executors, personal or legal representatives, insurers, and attorneys of the Company or the Company's Affiliates (collectively the "**Released Parties**"), from any and all losses, claims, demands, rights, encumbrances, Contracts (including employment Contracts), covenants, or proceedings, of whatever kind or nature in law, equity or otherwise, whether known or unknown, and whether or not concealed or hidden, arising out of the performance of employment services for the Company and the ownership of the Company Stock, all of which each Seller now owns or holds, has at any time owned or held, or may hereafter own or hold against any Released Party at any time, or related to any matter, prior to the Closing Date, except for rights and claims (i) arising under this Agreement and the other Transaction Documents, and (ii) rights to reimbursement for expenses incurred in the performance of services for the Company prior to the Closing.

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(b) Each Seller hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting, or causing to be commenced, any proceeding of any kind, against the Released Parties, based upon any matter purported to be released hereby.

6.6 *Employment Benefits Arrangements.*

(a) Purchaser intends for the Company to continue the employment of all or substantially all of the Company's employees set forth on Schedule 4.12(a), with benefits consistent with those benefits that were provided by the Company and in effect immediately prior to the Closing; provided, however, that Purchaser shall have no obligation to continue the employment of any employee of the Company or to continue existing benefit plans offered to the Company's employees or offer similar plans, especially with respect to any equity incentive plans.

(b) The provisions of this Section 6.6 are solely for the benefit of the Parties to this Agreement. No Continuing Employee (as defined below) shall be regarded for any purpose as a third-party beneficiary of this Agreement, and no provision of this Section 6.6 shall create such rights in any such persons. Nothing herein shall (i) guarantee employment for any period of time or preclude the ability of Purchaser, the Company, or any of their respective Affiliates to terminate the employment of any employee of the Company who continues employment with the Company following the Closing (each, a "***Continuing Employee***") or any other service provider at any time and for any reason, (ii) require Purchaser, the Company, or any of their respective Affiliates to continue any employee plans of the Company, any employee benefit plan of Purchaser in which a Continuing Employee following the Closing is eligible to participate (each, a "***Purchaser Plan***"), or other Employee Benefit Plans or arrangements, or prevent the amendment, modification, or termination thereof after the Closing, or (iii) amend any employee plans of the Company, Purchaser Plans or other Employee Benefit Plans or arrangements.

6.7 *Post-Closing Authorizations.* As of the Closing, the Company will implement the policy set forth on Schedule 6.7 with respect to all signing authority on behalf of the Company (collectively, the "***Authorization Policy***"). For the avoidance of doubt, Purchaser shall have all rights to change such Authorization Policy at any time in its sole discretion.

6.8 *Further Assurances.* Each Party will, at the request of the other Party and at such other Party's expense, take such further commercially reasonable actions as are requested and execute any additional documents, instruments, or conveyances reasonably necessary to effectuate the transactions contemplated by this Agreement, including Sellers' transfer of title of the Company Shares to Purchaser. Each of the Parties shall each reasonably cooperate with each other and make their books, records, and personnel available to each other upon reasonable request for Tax audits, Tax Return preparation, and any other reasonable purposes.

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6.9 Books and Records. On the Closing Date, the Company will have in the Company's possession all originals or copies of the Company's books, minute books, records, and files (including all electronic files) relating to the Company's business, including all business and marketing plans, customer lists, advertising and marketing data and records, sales and pricing data, customer prospect lists, customer data, lease records, legal files, Contract files, personnel records, and files and records relating to Taxes and all Tax Returns and related information or correspondence with any Governmental Entity regarding same.

ARTICLE VII INDEMNIFICATION

7.1 Indemnification by Sellers. Subject to the other terms of this Article VII, each Seller shall severally and not jointly (based on their respective Payment Percentages), indemnify and hold harmless the Purchaser Indemnitees from and against any and all Losses incurred or suffered by the Purchaser Indemnitees, arising out of or resulting from (regardless of whether or not such Losses relate to any Third-Party Claim):

(a) the failure of any representation or warranty made by the Company or any of the Sellers contained in this Agreement, or in any certificate or document delivered by the Company or any of the Sellers, to be true and correct;

(b) any breach by any of the Sellers of, or the failure of any of the Sellers to perform, any of the covenants and obligations required to be performed by any of the Sellers or the performance of any action otherwise prohibited under this Agreement (provided, however, that indemnification obligations arising from any failure of a Seller to perform any of the covenants and obligations required to be performed by such Seller solely in his or her personal capacity or the performance in such Seller's personal capacity of any action prohibited under this Agreement shall be the sole responsibility of such Seller and not any other Sellers);

(c) any Sellers' Transaction Expenses or Outstanding Debt which have not been treated under Section 2.3 as a dollar-for-dollar reduction to the Purchase Price;

(d) (i) any Taxes of the Company relating to whole or partial taxable periods, activities, or events on or prior to the Closing Date, including the Taxes for which Sellers are responsible under Section 6.1, or (ii) any Transfer Taxes imposed on the sale of the Company or the Company Stock, including the making of, or as a result of, any Tax elections or the undertaking of any intermediate steps, actions, assignments, transfers, or transactions on or before the Closing other than the Section 338(h)(10) Election;

(e) any claim (i) for amounts paid by reason of an inaccuracy in the Flow of Funds to any of Sellers pursuant to this Agreement, or (ii) by any current or former holder or alleged current or former holder of any direct or indirect equity interest of the Company (including any predecessors), arising out of (x) the payment or allocation of the Purchase Price (as the case may be), or (y) such Person's status or alleged status as an equity holder or owner of stock options or other direct or indirect equity interests in the Company (or any predecessor) at any time on or prior to the Closing;

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(f) the amount, if any, by which the amount of Cash used in the calculation of the Initial Purchase Price is less than the amount of Cash actually delivered with the Company at Closing; and

(g) those matters which are identified on Exhibit G to the extent the factual basis for such matters arose before the Closing.

7.2 Indemnification by Purchaser. Subject to the other terms of this Article VII, Purchaser shall indemnify, defend, and hold harmless the Sellers' Indemnitees from and against any and all Losses arising out of or resulting from (regardless of whether or not such Losses relate to any Third-Party Claim):

(a) the failure of any representation or warranty made by Purchaser in this Agreement, or any other certificate or document delivered by Purchaser in connection with Closing, to be true and correct; and

(b) any breach by Purchaser of, or the failure of Purchaser to perform, any of its covenants or obligations required to be performed by it or the performance of any action otherwise prohibited under this Agreement.

7.3 Limitations and Other Indemnity Claim Matters. Notwithstanding anything to the contrary in this Article VII or elsewhere in this Agreement, the following terms shall apply to any claim for monetary damages (including Losses) arising out of this Agreement or related to the transactions contemplated hereby:

(a) Basket. Sellers will not have any liability for any indemnification claim pursuant to Section 7.1(a) until the Purchaser Indemnitees have suffered, in the aggregate, Losses equal to \$75,000 (the "Basket"), at which time, subject to the limitations set forth in this Article VII, Sellers shall be liable for the amount of all Losses incurred or suffered by the Purchaser Indemnitees in excess of the Basket; provided, however, that the Basket shall not apply to any claims relating to, arising out of or otherwise attributable to (w) the breach of any of the Company's Fundamental Representations; (x) the breach of any of the Sellers' Fundamental Representations; (y) the matters indemnified in Sections 7.1(b), 7.1(c), 7.1(d), 7.1(e), and 7.1(g); and (z) any claims relating to, arising out of or otherwise attributable to fraud or intentional misrepresentation.

(b) Cap. The aggregate liability of all Sellers pursuant to Section 7.1 shall not exceed the amount of the Indemnification Escrow Amount (the "Cap"); provided, however, that this limitation shall not apply to:

(i) the breach of any of the Fundamental Representations;

(ii) the matters indemnified in Sections 7.1(b), 7.1(c), 7.1(d), 7.1(e), and 7.1(g); and

(iii) any claims relating to, arising out of or otherwise attributable to fraud or intentional misrepresentation;

for which:

(A) in the case of clauses (i) or (ii) above, the aggregate liability of Sellers shall be limited to the Purchase Price (based on their respective Payment Percentages); and

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(B) in the case of clause (iii) above, the aggregate liability of Sellers shall be uncapped (based on their respective Payment Percentages).

(c) Order of Recovery; Mitigation; Insurance; Calculation of Losses.

(i) The obligations of Sellers pursuant to Section 7.1 shall be satisfied from the Indemnification Escrow Amount until such funds have been exhausted or otherwise claimed in full; provided, however, that this limitation shall not apply to:

(x) the breach of any of the Fundamental Representations;

(y) the matters indemnified in Sections 7.1(b), 7.1(c), 7.1(d), 7.1(e), and 7.1(g);

(z) any claims relating to, arising out of or otherwise attributable to fraud or intentional misrepresentation;

for which:

(A) in the case of clauses (x) and (y) above, the obligations of Sellers pursuant to Section 7.1 shall be satisfied (1) first, from the Indemnification Escrow Amount until such funds have been exhausted or otherwise claimed in full; and (2) thereafter, directly from Sellers, on a several, and not joint, basis, in accordance with each Seller's Payment Percentage, subject to Section 7.3(b), up to the amount of the Purchase Price received by such Seller; and

(B) in the case of clause (z), the obligations of Sellers pursuant to Section 7.1 shall be satisfied (1) first, from the Indemnification Escrow Amount until such funds have been exhausted or otherwise claimed in full; and (2) thereafter, directly from Sellers, on a several, and not joint, basis, in accordance with each Seller's Payment Percentage.

(ii) Purchaser shall use commercially reasonable steps to mitigate any Losses upon becoming aware of any event which would reasonably be expected to, or does, give rise thereto; provided that the reasonable costs of mitigation shall be considered Losses. The amount of any Losses for which indemnification is provided under this Article VII shall be net of any amounts actually recovered by the Purchaser Indemnitees under insurance policies or otherwise with respect to such Losses (less any costs incurred pursuing any such claim). Purchaser agrees that if the Company has an applicable Third-Party insurance policy (excluding any self-insurance or captive insurer owned by Purchaser), then Purchaser agrees that it will cause the Company to make a claim against such applicable Third-Party insurance policy.

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(iii) For purposes of determining the amount of any Losses resulting from any breach of, or inaccuracy in, any representation, warranty or statement in this Agreement, all qualifications contained in this Agreement as to materiality, including each qualifying reference to the words “material”, “Material Adverse Effect” and “materiality” and all similar phrases and words shall be deemed deleted and shall have no effect.

(iv) Notwithstanding anything to the contrary in this Agreement, each Seller hereby agrees that such Seller will not make any claim for indemnification against Purchaser or the Company by reason of the fact that such Seller was a shareholder, controlling person, officer, director, employee or other Representative of the Company or was serving as such for another Person at the request of the Company (whether such claim is for Losses of any kind or otherwise and whether such claim is pursuant to any Law, Charter Documents, Contract or otherwise) with respect to any claim brought by a Purchaser Indemnitee under this Agreement or otherwise relating to this Agreement, any Transaction Document or the transactions contemplated hereunder and thereunder.

(d) Purchaser will not have any liability for any indemnification claim pursuant to Section 7.2(a) until the Sellers’ Indemnitees have suffered, in the aggregate, Losses equal to the Basket, at which time, subject to the limitations set forth in this Article VII, Purchaser shall be liable for the amount of all Losses incurred or suffered by the Sellers’ Indemnitees in excess of the Basket, provided, however, that the Basket shall not apply to any claims relating to, arising out of or otherwise attributable to any claims relating to, arising out of or otherwise attributable to fraud or intentional misrepresentation. The aggregate liability of Purchaser pursuant to Section 7.2 shall not exceed the Cap except for liabilities arising out of or otherwise attributable to fraud or intentional misrepresentation, which shall be uncapped.

(e) Survival; Claims Period. The representations and warranties of the Parties under this Agreement shall survive the execution and delivery of this Agreement but shall expire on the twenty-four (24) month anniversary of the Closing Date; provided, however, notwithstanding the foregoing, the Fundamental Representations shall survive until the expiration of the relevant statute of limitations. Any obligations to indemnify under this Article VII for a breach of a representation or warranty shall not terminate with respect to any Losses arising out of or resulting from any Loss as to which an Indemnitee shall have given *bona fide* good faith written notice to the Party allegedly required to provide indemnification protection under this Article VII (the “*Indemnifying Party*”) before the date such representation or warranty, or indemnification claim, expires according to the foregoing expiration dates.

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7.4 Notice and Determination of Non-Third-Party Claims. If any Indemnitee believes that it has sustained or incurred any Losses for which it may be entitled to indemnification, such Indemnitee shall so notify the Indemnifying Party promptly in writing (a “**Claim Notice**”) (with all Claim Notices to Sellers being given to the Sellers’ Representatives). The Claim Notice shall (a) state the occurrence giving rise to the claim and that the Losses have been incurred, properly accrued, or are anticipated; (b) specify the Section of this Agreement under which such claim is made; and (c) specify in reasonable detail each individual item of Loss or other claim, including the amount thereof if reasonably ascertainable, the date such Losses were incurred, properly accrued, or are anticipated to be incurred, the basis for any anticipated Losses and the nature of the misrepresentation or breach to which such Losses are related. The failure of the Indemnitee to exercise promptness in such notification shall not amount to a waiver of such claim unless and only to the extent that the resulting delay materially and adversely prejudices the position of the Indemnifying Party with respect to such claim.

7.5 Third-Party Claims.

(a) An Indemnitee shall provide prompt notice to an Indemnifying Party of the assertion or commencement of any action, suit, claim or other Legal Proceeding made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of the foregoing (a “**Third-Party Claim**”) (with all Third-Party Claim notices to Sellers being given to the Sellers’ Representatives); provided, however, that an Indemnitee’s failure to send or delay in sending a notice with respect to a Third-Party Claim will not relieve the Indemnifying Party from liability hereunder with respect to such indemnification Claim except to the extent, and only to the extent, that the Indemnifying Party is prejudiced by such failure or delay.

(b) In the event of the assertion of any Third-Party Claim for which, by the terms hereof, an Indemnifying Party is potentially obligated to indemnify an Indemnitee under this Article VII, the Indemnifying Party will have the right, at such Indemnifying Party’s sole cost and expense, to assume the defense of same including the appointment and selection of counsel on behalf of the Indemnitee. If the Indemnifying Party elects to assume the defense of any such Third-Party Claim, it shall, within thirty (30) days after notice of such claim from the Indemnitee, notify the Indemnitee in writing of its intent to do so. The Indemnitee will be entitled, at its own cost and expense, to retain separate co-counsel and participate with the Indemnifying Party in the defense of any such Third-Party Claim. If the Indemnifying Party assumes the defense of any such Third-Party Claim but fails to diligently prosecute such Third-Party Claim, or if the Indemnifying Party does not assume the defense of any such Third-Party Claim within such thirty (30)-day period, the Indemnitee may assume control of such defense and in the event it is finally determined by a court of competent jurisdiction that the claim was a matter for which the Indemnifying Party is required to provide indemnification under the terms of this Article VII, the reasonable costs and expenses of such defense (including their reasonable fees and expenses of counsel) shall constitute Losses and shall be subject to recovery subject to the limitations contained in this Article VII.

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(c) Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third-Party Claim without the prior written consent of the Indemnitee (which consent shall not be unreasonably withheld or delayed), except as provided in this Section 7.5(c). If a firm offer is made to settle a Third-Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnitee and provides, in customary form, for the unconditional release of each Indemnitee from all liabilities and obligations in connection with such Third-Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnitee. If the Indemnitee fails to consent to such firm offer within ten (10) days after its receipt of such notice, the Indemnitee may continue to contest or defend such Third-Party Claim and in such event, the maximum liability of the Indemnifying Party as to such Third-Party Claim shall not exceed the amount of such settlement offer. If the Indemnitee fails to consent to such firm offer and also fails to assume defense of such Third-Party Claim, the Indemnifying Party may settle the Third-Party Claim upon the terms set forth in such firm offer to settle such Third-Party Claim. If the Indemnitee has assumed the defense pursuant to Section 7.5(b), it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed). Notwithstanding anything set forth in this Section 7.5(c) to the contrary, Section 6.1 shall govern Third-Party Claims in respect of Taxes.

7.6 Tax Treatment. Any indemnity payment made under this Article VII shall be treated as an adjustment to the Purchase Price for U.S. federal and all applicable state and local income Tax purposes to the extent permitted by applicable Law.

7.7 Right to Offset. Notwithstanding anything to the contrary herein, upon notice to the Sellers' Representatives specifying in reasonable detail the basis therefor, Purchaser may set off any amount to which it claims to be entitled from any Seller under Section 7.1, against amounts otherwise payable under any provision of any Transaction Document, including the relevant portions of the Earnout Payments; provided, however, that Purchaser shall exercise such right only with respect to the amount of claims that, in the aggregate, exceed the amount of the Indemnification Escrow Amount in accordance with Section 7.3(c)(i) above. For the avoidance of doubt, the foregoing provision limiting the exercise of set off rights only to the extent in excess of the Indemnification Escrow Amount shall only apply prior to the Release Date. The exercise of such right of setoff by Purchaser in good faith and consistent with this Section 7.7, whether or not ultimately determined to be justified, will not constitute a default under this Agreement or any Transaction Document regardless of whether the Sellers' Representatives or any Seller disputes such setoff claim, or whether such setoff claim is for a contingent or an unliquidated amount. Neither the exercise of, nor the failure to exercise, such right of setoff will constitute an election of remedies or limit Purchaser in any manner in the enforcement of any other remedies that may be available to it.

ARTICLE VIII GENERAL

8.1 Entire Agreement. This Agreement, together with the Disclosure Schedules and the other Transaction Documents, contains the sole and entire agreements between the Parties with respect to the subject matter hereof and thereof and supersedes all prior and contemporaneous discussions, understandings, negotiations, and agreements (whether written or oral) among the Parties or between any of them (including the Letter of Intent dated January 30, 2024) with respect to the subject matter of this Agreement and the other Transaction Documents.

THE VALENS SEMICONDUCTOR, INC. /ACRONAME INC.

STOCK PURCHASE AGREEMENT

8.2 *Successor and Assigns; Assignment; No Third-Party Beneficiaries.* This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties. Neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assignable by (a) any Seller or the Sellers' Representatives without the prior written consent of Purchaser, or (b) Purchaser without the prior written consent of the Sellers' Representatives; provided, however, Purchaser may (i) assign Purchaser's rights under this Agreement to any Affiliate of Purchaser or to any future purchaser of Purchaser, or the Company or their respective assets, and (ii) collaterally assign any or all of Purchaser's rights and interests hereunder to one or more lenders of Purchaser or the Company (provided, that Purchaser shall remain liable for its obligations hereunder). Nothing in this Agreement shall confer upon any Person not a party to this Agreement any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement, except the Indemnitees (other than Sellers and Purchaser) shall be the third-party beneficiaries of the indemnification rights in Article VII hereof.

8.3 *Amendments.* This Agreement may be amended, modified or superseded, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by Purchaser and the Sellers' Representatives. With regard to all dates and time periods set forth in this Agreement, time is of the essence.

8.4 *Notices.* Any notice or other communication required or permitted to be delivered to any Party hereunder shall be in writing and shall be deemed properly delivered, given, and received (a) when delivered (if delivered by hand), or (b) upon confirmation of receipt (if delivered by registered mail, by courier, or by express delivery service), to the address set forth beneath the name of such Party below (or to such other address as such Party shall have specified in a written notice given to the other Parties):

If to Purchaser, to:

Valens Semiconductor, Inc.

Attention: Gideon Ben-Zvi and Keren Shmueli Sidi /

with a copy (which shall not constitute notice) to:

[***]

If to the Sellers' Representatives, to:

[***]

with a copy (which shall not constitute notice) to:

[***]

THE VALENS SEMICONDUCTOR, INC. /ACRONAME INC.

STOCK PURCHASE AGREEMENT

8.5 **Headings.** The bold-faced headings contained in this Agreement are for convenience of reference only, shall not be deemed a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

8.6 **Counterparts and Electronic Signatures.** This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement. Counterparts may be delivered via facsimile, electronic mail that includes a pdf signature, or in the form of an electronic signature complying with the U.S. federal ESIGN Act of 2000 (e.g., via www.docusign.com or other similar electronic signature transmission and confirmation method). Any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

8.7 Governing Law; Dispute Resolution.

(a) Governing Law. This Agreement and all disputes or controversies arising out of this Agreement or the transactions contemplated hereby shall be governed by and construed in accordance with the internal laws of the State of Delaware, including its statutes of limitations, without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws (including the statute of limitations) of any jurisdiction other than those of the State of Delaware.

(b) Consent to Jurisdiction. Each of the Parties irrevocably agrees that any Legal Proceeding arising out of or relating to this Agreement or the transactions contemplated hereby that is brought by any Party or its successors or assigns shall be brought and determined in the Court of Chancery of the State of Delaware, the courts of the United States of America for the District of Delaware, and appellate courts thereof, and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such Legal Proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the Parties agrees not to commence any Legal Proceeding relating thereto except in the courts described above in Delaware, other than a Legal Proceeding in any court of competent jurisdiction to enforce any Order rendered by any such court in Delaware as described herein. Each of the Parties further agrees that notice as provided herein shall constitute sufficient service of process and the Parties further waive any argument that such service is insufficient. Each of the Parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any Legal Proceeding arising out of or relating to this Agreement or any dispute or controversy arising out of this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the courts in Delaware as described herein for any reason, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (c) that (i) the Legal Proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such Legal Proceeding is improper, or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

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(c) **WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DESCRIBED IN THIS SECTION 8.7. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.7. A COPY OF THIS SECTION 8.7 MAY BE SUBMITTED TO ANY COURT AS EVIDENCE OF THE CONTENT THEREOF.

8.8 Specific Performance. The Parties agree that, in the event of any breach or threatened breach by any Party of any covenant, obligation, or other provision set forth in this Agreement, for the benefit of any other Party, (a) such other Party shall be entitled (in addition to any other remedy that may be available to it) to seek an Order granting (i) specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision, (ii) an injunction (whether preliminary, temporary or permanent), and other emergency or interim relief, to restrain such breach or threatened breach and to preserve the status quo, and (b) such other Party shall not be required to provide any bond or other security in connection with any such relief. A Party, at its option, may seek any relief described in this Section 8.8 in a judicial Order from a court described in Section 8.7.

8.9 Waiver.

(a) No failure on the part of any Person to exercise any power, right, privilege, or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege, or remedy under this Agreement, shall operate as a waiver of such power, right, privilege, or remedy; and no single or partial exercise of any such power, right, privilege, or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege, or remedy.

(b) No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege, or remedy under this Agreement, unless the waiver of such claim, power, right, privilege, or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

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8.10 **Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any applicable jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the court making such determination shall have the power to limit the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. In the event such court does not exercise the power granted to it in the prior sentence, the Parties agree to replace such invalid or unenforceable term or provision with a valid and enforceable term or provision that will achieve, to the extent possible, the economic, business, and other purposes of such invalid or unenforceable term.

8.11 ***Sellers' Representatives.***

(a) Each Seller hereby irrevocably makes, constitutes and appoints [***] as Sellers' Representatives and as such Seller's true and lawful attorney-in-fact and agent for and on behalf of such Seller to give and receive notices and communications; to authorize payment to Purchaser from the Escrow Amounts in satisfaction of valid claims by Purchaser; to object to such payments; to agree to, negotiate, enter into settlements and compromises of, and comply with orders of courts with respect to, such matters; and to take all other actions that are either (i) necessary or appropriate in the judgment of the Sellers' Representatives for the accomplishment of the foregoing or (ii) specifically mandated by the terms of this Agreement. The power of attorney granted in this Section 8.11(a) is coupled with an interest and is irrevocable, may be delegated by the Sellers' Representatives and will survive the death or incapacity of any of Sellers. Notices or communications to or from the Sellers' Representatives shall constitute notice to or from each Seller.

(b) The Sellers' Representatives may resign at any time effective upon designation of at least one successor Sellers' Representative. In the event that a Sellers' Representative resigns, or dies or becomes disabled, a new Sellers' Representative may be appointed by the remaining Sellers' Representative(s), such appointment to become effective upon the written acceptance thereof by the new Sellers' Representative, who shall give Purchaser and each Seller prompt written notice of such new Sellers' Representative.

(c) The Sellers' Representatives shall be entitled to withdraw cash amounts held in the account containing the Sellers' Expense Fund in reimbursement for out of pocket fees and expenses (including legal, accounting and other advisors' fees and expenses, if applicable) incurred by the Sellers' Representatives in performing under this Agreement. In the event that the Sellers' Expense Fund is insufficient to cover the fees and expenses incurred by the Sellers' Representatives in performing under this Agreement, first, the Sellers' Representatives shall be entitled to be paid out of the Escrow Amounts prior to any payments made out of such fund to Sellers, and second, Sellers shall be obligated to pay their pro-rata share of any such deficiency in accordance with their respective Payment Percentages.

THE VALENS SEMICONDUCTOR, INC. /ACRONAME INC.

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(d) The Sellers' Representatives will not be liable for any Losses incurred without gross negligence, fraud or willful misconduct by the Sellers' Representatives arising out of or in connection with the acceptance or administration of his duties under this Agreement. Sellers shall, in accordance with their respective Payment Percentages and in an amount not to exceed the amount of the Purchase Price actually received by such Seller, indemnify, defend and hold harmless Sellers' Representatives and their successors and assigns from and against any and all Losses incurred by the Sellers' Representatives arising as a result of or incurred in connection with any actions taken or omitted to be taken by the Sellers' Representatives pursuant to the terms of, or the acceptance or administration of the Sellers' Representatives' duties under, this Agreement (a "**Representative Loss**"), in each case as such Representative Loss is incurred or suffered; provided, however, that in the event it is finally adjudicated that a Representative Loss or any portion thereof was primarily caused by the gross negligence, fraud or willful misconduct of any Sellers' Representative, such Sellers' Representative will reimburse Sellers the amount of such indemnified Representative Loss attributable to such gross negligence, fraud or willful misconduct. If not paid directly to the Sellers' Representatives by Sellers, any such Representative Losses may be recovered by the Sellers' Representatives (without the requirement of any consent or approval by Purchaser) from any portion of the Escrow Amounts otherwise distributable to Sellers pursuant to the terms hereof at the time of distribution in accordance with written instructions delivered by the Sellers' Representatives to the Purchaser; provided, however, that while this Section 8.11(d) allows Sellers' Representatives to be paid from the Escrow Amounts otherwise distributable to Sellers pursuant to the terms hereof, this does not relieve Sellers from their obligation to promptly pay such Representative Losses as such Representative Losses are suffered or incurred, nor does it prevent the Sellers' Representatives from seeking any remedies available to them at law or otherwise.

(e) The Sellers' Representatives shall be entitled to engage such counsel, experts and other agents and consultants as they shall deem necessary in connection with exercising its powers and performing its function hereunder.

(f) From and after the Closing Date, Purchaser will cause the Company to provide Sellers' Representatives with reasonable access to information about the Company and the reasonable assistance of the officers and employees of Purchaser and the Company for purposes of performing their duties and exercising their rights under this Agreement.

[Remainder of Page Left Intentionally Blank; Signature Pages Follow]

THE VALENS SEMICONDUCTOR, INC. /ACRONAME INC.

STOCK PURCHASE AGREEMENT

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first written above.

PURCHASER:

VALENS SEMICONDUCTOR, INC.

By: /s/ Gideon Ben Zvi
Name: Gideon Ben Zvi
Title: Chief Executive Officer

COMPANY:

ACRONAME INC.

By: /s/ Justin Gregg
Name: Justin Gregg
Title: CEO, Chair of the Board

THE VALENS SEMICONDUCTOR, INC. /ACRONAME INC.

SIGNATURE PAGE TO STOCK PURCHASE AGREEMENT

SELLERS:

[***]

THE VALENS SEMICONDUCTOR, INC. /ACRONAME INC.

SIGNATURE PAGE TO STOCK PURCHASE AGREEMENT

SELLERS' REPRESENTATIVES:

[***]

THE VALENS SEMICONDUCTOR, INC. /ACRONAME INC.

SIGNATURE PAGE TO STOCK PURCHASE AGREEMENT

ANNEX I

Sellers and Company Shares

THE VALENS SEMICONDUCTOR, INC. /ACRONAME INC.

ANNEX I TO STOCK PURCHASE AGREEMENT

EXHIBIT A

Definitions

“**Adjustment Escrow Account**” means the escrow sub-account established pursuant to the terms of the Escrow Agreement to hold the Adjustment Escrow Amount, together with any interest or other amounts earned thereon.

“**Adjustment Escrow Amount**” means an amount in cash equal to \$400,000, which will be deposited in the Adjustment Escrow Account.

“**Affiliate**” means, with respect to an Entity, any other Entity controlling, controlled by or under common control with such entity. As used in this definition, the term “control,” including the correlative terms “controlling,” “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an Entity, whether through ownership of voting securities, by contract or otherwise.

“**Business Day**” means any day other than a Saturday, a Sunday or a day on which the banks in Houston, Texas are authorized or required by Law to be closed.

“**Capital Stock**” means (a) with respect to any Person that is a corporation, any and all shares, interests, participation, or other equivalents (however designated and whether or not voting) of corporate stock, including the common stock of such Person, and (b) with respect to any Person that is not a corporation, any and all membership, partnership or other equity interests of such Person.

“**CARES Act**” means the Coronavirus Aid, Relief, and Economic Security Act (Pub.L. 116-136), the Consolidated Appropriations Act, 2021 (if enacted) and any administrative or other guidance published on the date hereof with respect thereto by any Governmental Entity (including IRS Notices 2020-22 and 2020-65), or any other Law or executive order or executive memorandum (including the Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster, dated August 8, 2020) intended to address the consequences of COVID-19 (in each case, including any comparable provisions of state, local or non-U.S. Law and including any related or similar orders or declarations from any Governmental Entity).

“**Charter Documents**” means, with respect to any Person, the certificate of incorporation, articles of incorporation or association and by-laws, the limited liability company agreement, or limited partnership agreement or other agreement or agreements that establish the legal personality of such Person, in each case as amended to date.

“**Claim**” means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity.

“**Code**” means the Internal Revenue Code of 1986, as amended, or any amending or superseding Tax Laws of the United States of America.

“**Common Stock**” means the common stock of the Company, with no par value.

“Company’s Databases” means all databases, data collections, and data sets owned or hosted by the Company.

“Company’s IP” means (a) all inventions described in the Company’s Patents and all other inventions and improvements owned by the Company, (b) all of the Company’s Trademarks, (c) the trade name “Acroname” and each other name or derivative thereof (including any trade name, fictitious business name or assumed name), under which the Company conducts its business, (d) all copyrightable works, and (e) all Intellectual Property owned by the Company (i) in or pertaining to the Company’s Products or methods or processes used by the Company to develop and produce the Company’s Products, or (ii) that are used or held for use by the Company in the operation of their business, or (iii) that relate to current research and development efforts by the Company or by others under Contract with the Company, and (f) all other Intellectual Property relating to the operation of the business in which the Company has (or purports to have) an ownership interest of any nature (whether exclusively, jointly with another Person, or otherwise) or an exclusive license.

“Company’s IP Contracts” means any Contract to which the Company is a party, that contains any option, assignment, license, sublicense, acquisition, distribution, transfer, grant or other conveyance of, or any covenant not to assert or enforce, any Intellectual Property Rights or that otherwise relates to any Intellectual Property developed, produced, marketed, promoted, distributed or otherwise exploited by, with, or for the Company, including rights acquisition and licensing agreements, distribution and subdivision agreements, option agreements, revenue-sharing arrangements, sales agency agreements, distribution and production services agreements, merchandising agreements, commercial tie-in and sponsorship agreements, publishing agreements and other agreements or arrangements with respect to any Intellectual Property or Intellectual Property Rights.

“Company’s IP Rights” means (a) all of the Company’s rights in the Company’s Patents, (b) all of the Company’s rights in the Company’s Trademarks and all associated goodwill, (c) all of the Company’s rights in (1) the full corporate name of the Company, (2) any trade name that includes “Acroname”, and (3) each other name or derivative thereof (including any trade name, fictitious business name or assumed name), under which the Company conducts the Company’s business, (d) all copyrightable works, (e) all other Intellectual Property and Intellectual Property Rights owned by the Company (i) in or pertaining to the Company’s Products or services provided to customers or methods or processes used by the Company to develop and produce the Company’s Products, (ii) that are used or held for use by the Company in its operation of the Company’s business, or (iii) that relate to current research and development efforts by the Company or by others under contract with the Company, and (f) all other Intellectual Property and Intellectual Property Rights relating to the operation of any of the Company’s business in which the Company has (or purports to have) an ownership interest of any nature (whether exclusively, jointly with another Person, or otherwise) or an exclusive license.

“Company’s Patents” means and refers to any patents or patent applications listed on Schedule 4.17(a).

“Company’s Products” means any product or service currently being developed or produced, marketed, promoted, distributed, licensed, sold or otherwise exploited by the Company prior to the Closing.

“Company’s Registered IP” means all of the Company’s IP that is Registered IP and owned by the Company.

“Company’s Software” means any Software that is owned by the Company.

“Company’s Trademark” means any Trademark owned by or exclusively licensed to the Company and used or held for use by the Company in connection with or otherwise in the operation of the Company’s business.

“Contract” means any contract, subcontract, commitment, lease, license, work order, service order, purchase order, rental agreement, mortgage, bond, note or other instrument evidencing indebtedness, or other legally binding agreement (whether written or oral and whether express or implied), and all amendments thereof, but excluding any Permits.

“COVID-19” means SARS-COV-2 or COVID-19, any evolutions or mutations thereof (including any second or subsequent wave(s)), or related or associated epidemics, pandemics, or disease outbreaks.

“Data Protection Laws” means all Laws relating to data protection, information security, and privacy which relate to the collection, use, storage, transfer, or disposal of Personal Data which are from time to time applicable to the Company, including: (i) the General Data Protection Regulation (EU) 2016/679; (ii) the Privacy and Electronic Communications (EC Directive) Regulations 2003 (SI 2003/2426) and all other applicable Laws implementing European Directive 2002/58/EC; and (iii) the California Consumer Privacy Act (as codified in Cal. Civ. Code §1798.100 *et seq.*), in each case as amended, replaced or updated from time to time.

“Entity” means any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, cooperative, foundation, society, political party, union, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization or entity, other than a Governmental Entity.

“Environmental Laws” means all Laws relating to pollution, protection of the environment (including but not limited to wildlife, flora, and fauna), natural resources, human health, safety or welfare, or exposure to Hazardous Materials, including but not limited to all those Laws relating to Releases or threatened Releases of Hazardous Materials or otherwise relating to the identification, generation, use, labeling, processing, control, discharge, emission, investigation, removal, remediation, monitoring, handling, transportation, treatment, storage or disposal of any Hazardous Materials.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means, with respect to any entity, trade or business, any other Entity, trade or business that is a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes the first entity, trade or business.

“Escrow Accounts” means, collectively, the Adjustment Escrow Account and the Indemnification Escrow Account established under the Escrow Agreement.

“Escrow Amounts” means, collectively, the Adjustment Escrow Amount and the Indemnification Escrow Amount deposited by Purchaser with the Escrow Agent pursuant to the terms of this Agreement.

“Flow of Funds” means the information contained on, or the document attached as, Exhibit C which sets forth all cash payments to be made by or on behalf of the Parties in accordance with this Agreement, including the payee name, the amounts owed to each payee and the wire information for each payee. The Flow of Funds shall be delivered by the Sellers’ Representatives to Purchaser no later than two (2) Business Days prior to Closing.

“Fundamental Representations” means the representations and warranties of the Sellers set forth in Sections 4.1 (Organization and Authority of Sellers), 4.2 (Organization, Authority, and Qualification of the Company), 4.3 (Capitalization), 4.4(b) (No Conflicts with Laws), 4.5(g) (Sellers’ Transaction Expenses), 4.8(b) (Legal Proceedings), 4.9 (Tax Matters), the first sentence of Section 4.17(f) (Title to Intellectual Property), 4.20 (Related Party Transactions), and 4.21 (Brokers’ Fees).

“GAAP” means generally accepted accounting principles as applied in the United States on a consistent basis.

“Governmental Entity” means any court, governmental department, commission, council, board, agency, bureau or other instrumentality of the United States of America, any foreign jurisdiction, or any state, provincial, county, municipality or local governmental unit thereof, including any Taxing Authority.

“Hazardous Material” means any substance, material, or waste that is regulated, classified, or otherwise considered or could be considered under any applicable Law as “hazardous,” “toxic,” “pollutant,” “contaminant,” “radioactive,” or words of similar meaning or effect, including petroleum and its by-products, asbestos, asbestos containing products, polychlorinated biphenyls, radioactive materials, toxic mold and urea formaldehyde insulation.

“Indemnification Escrow Account” means the escrow sub-account established pursuant to the terms of the Escrow Agreement to hold the Indemnification Escrow Amount, together with any interest or other amounts earned thereon.

“Indemnification Escrow Amount” means an amount in cash equal to \$600,000, which will be deposited in the Indemnification Escrow Account.

“Indemnitees” means the Purchaser Indemnitees and the Seller’s Indemnitees.

“Intellectual Property” means and includes all algorithms, application keys, application programming interfaces, apparatus, databases and data collections, diagrams, formulae, graphics, inventions (whether or not patentable), improvements, designs, discoveries, know-how, logos, marks (including brand names, product names, logos, and slogans) and all related goodwill, trade dress and all related goodwill, trade names and all related goodwill, domain names, methods, network configurations and architectures, net lists, processes, technical information, trade secrets, Confidential Information, proprietary information, protocols, .psd source files, schematics, specifications, Software, Software code (in any form including Source Code and executable or object code), subroutines, techniques, three-dimensional models, URLs, user interfaces, web sites, works of authorship, and other forms of technology (whether or not embodied in any tangible form and including all tangible embodiments of the foregoing such as instruction manuals, prototypes, samples, studies, and summaries).

“Intellectual Property Rights” means any and all of the following, which exist under the Laws of any jurisdiction in the world, whether or not subject to statutory registration or protection, and whether of a type created by, or arising under, statute, common law, other Law or otherwise: (i) rights associated with works of authorship, including exclusive exploitation rights, copyrights, moral rights, rights in mask works, rights of attribution and rights of publicity; (ii) rights in the Trademarks, domain names, and social media assets (such as Facebook pages, Twitter accounts and blogs); (iii) rights under applicable US state trade secret Laws as are applicable to know-how, trade secrets, and confidential or proprietary information; (iv) patent rights and industrial property rights; (v) other proprietary rights in Intellectual Property of every kind and nature; (vi) rights in or relating to patents, registrations, renewals, extensions, combinations, continuations, continuations-in-part, divisionals, reexaminations or reissues of, and applications for, any of the rights referred to in clauses (i) through (v) above; and (vii) all rights to sue for past, present and future infringement, misappropriation, dilution or violation of any of the rights referred to in clauses (i) through (vi) above.

“Key Persons” means [***].

“Knowledge of the Company” (or any other similar knowledge qualification) means, with respect to any fact, circumstance, event or other matter in question, the actual knowledge of any of the following persons after due inquiry: [***]. For purposes of this Agreement, **“due inquiry”** shall mean the reasonable inquiry of a person who has responsibility relating to the relevant matter.

“Law” means any statute, law, ordinance, regulation, rule, code, Order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Entity.

“Legal Proceeding” means any judicial, administrative or arbitral actions, suits, hearings, inquiries, investigations or other proceedings (public or private) commenced, brought, conducted or heard before, or otherwise involving, any Governmental Entity or arbitrator.

“Lien” means any lien, mortgage, pledge, charge, condemnation award, encumbrance, lease, sublease, preferential purchase right, option, conditional sales contract, security interest, or encumbrance of any nature whatsoever.

“Losses” means, collectively, any loss, Claim, liability, damages, cost, or expense (including reasonable legal fees and expenses).

“made available”, “delivered”, “furnished” or words of similar import means, with respect to any material, that a copy of such material (a) has been posted to the electronic data room maintained by the Company in connection with the transactions contemplated hereby at least one (1) Business Day prior to the Closing Date or (b) actually delivered (whether by physical or electronic delivery) to Purchaser or its counsel.

“Material Adverse Effect” means any event, occurrence, fact, condition, or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to the business, results of operations, financial condition or assets of the Company; provided, however, that “Material Adverse Effect” shall not include any event, occurrence, fact, condition, or change, directly or indirectly, arising out of or attributable to: (a) any changes, conditions or effects in the United States economies or securities or financial markets in general; (b) changes, conditions or effects that generally affect the industries in which the Company operates; (c) any change, effect or circumstance resulting from an action required or permitted by this Agreement; or (d) conditions caused by acts of terrorism or war (whether or not declared).

“Material Contract” means any Contract required to be disclosed pursuant to Section 4.13.

“Open Source Code” means Software that is distributed under an open source license or free Software license, including the GNU General Public License, GNU Lesser General Public License, Apache License, Mozilla Public License, BSD License, MIT License, Common Public License, the Artistic License, the Eclipse Public License, the Netscape Public License, the Open Software License, the Sleepycat License, the Common Development and Distribution License, and any variant or derivative of any of the foregoing licenses, or any other license approved as an open source license by the Open Source Initiative or the Free Software Foundation.

“Option” means each option or right to purchase shares of Company Stock, whether or not vested or exercisable, whether granted under an option plan or otherwise, or whether promised by the Company pursuant to agreements or understandings that remain ungranted, that are held by any Person.

“Order” means any award, decision, injunction, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any body of competent jurisdiction, including any court, administrative agency, or other Governmental Entity or by any arbitrator.

“Ordinary Course of Business” means, with respect to any Person, actions that are consistent with the past practices of such Person, taken in the ordinary course of the normal day-to-day operations of such Person.

“Outstanding Debt” means, with respect to the Company, (a) all indebtedness of the Company for borrowed money, (b) all obligations of the Company evidenced by bonds, debentures, notes, or similar instruments (including any letter of credit, surety bond, banker’s acceptance or similar reimbursement agreement or obligation), (c) all obligations of the Company to pay the deferred purchase price of property or services (excluding trade accounts payable arising in the Ordinary Course of Business of the Company) including earn-outs, (d) all obligations of the Company under leases required to be capitalized, (e) all obligations of the Company under any hedging arrangement, (f) all obligations of the Company under any direct or indirect guaranties in respect of, or obligations (contingent or otherwise) of the Company to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness for borrowed money or obligations of others of the kinds referred to in clauses (a) through (e) above, and (g) all obligations of the kinds referred to in clauses (a) through (f) above of other Persons secured by any Lien on any property or asset of the Company.

“Paying Agent” means PNC Bank, National Association.

“Permits” means all of the permits, registrations, filings, consents, permissions, licenses, variances, exemptions, orders, franchises, certificates and approvals of all Governmental Entities necessary to conduct the Company’s business in compliance with all Laws.

“Permitted Liens” means (a) statutory Liens for current Taxes or assessments, or other similar governmental charges, not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings (b) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s or other similar Liens arising or incurred in the Ordinary Course of Business not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established consistent with past accounting practices, (c) zoning, entitlement and other land use or environmental regulations by any Governmental Entity that have not been violated and that do not materially impair the Company’s ability to operate in the Ordinary Course of Business, or (d) Liens that represent purchase money security interests for personal property purchased in the Ordinary Course of Business.

“Person” means any natural person, Entity or Governmental Entity.

“Personal Data” means any information which relates, directly or indirectly, to a natural person or their household, including a natural person’s name, in combination with other personally identifiable information, including such individual’s street address, telephone number, e-mail address, photograph, image, video recording, voice recording, video viewing history, geolocation information, online contact information, screen or user name, password, social security number, driver’s license number, passport number, credit card number, other customer or account number, or any other piece of information that allows the identification, contacting, locating, or tracking of a natural person.

“Purchaser Indemnitees” means, collectively, Purchaser and its Affiliates (including the Company) and their respective partners, members, directors, officers, managers, employees, successors and assigns.

“Registered IP” means all Intellectual Property Rights that are registered, filed, or issued under the authority of, with or by any Governmental Entity or domain name registry, including all patents, registered copyrights, registered mask works, registered domain names, and registered Trademarks of the Company and all applications for any of the foregoing.

“Related Person” means:

(a) with respect to a particular individual:

(i) each other member of such individual’s Family; and

(ii) any Person with respect to which such individual or one or more members of such individual’s Family serves as a director, officer, partner, executor, or trustee (or in a similar capacity).

(b) with respect to a specified Person other than an individual:

(i) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with, such specified Person;

(ii) each Person that serves as a director, officer, partner, executor, or trustee of such specified Person (or in a similar capacity); and

(iii) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity).

For purposes of this definition, (a) the “**Family**” of an individual includes (i) the individual, (ii) the individual’s spouse, (iii) any other natural person who is related to the individual or the individual’s spouse within the second degree, and (iv) any other natural person who resides with such individual, and (b) the term “control”, including the correlative terms “controlling”, “controlled by” and “under common control with”, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an Entity, whether through ownership of voting securities, by contract or otherwise.

“**Release**” means any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, dumping or disposing into the indoor or outdoor environment.

“**Representatives**” means with respect to any Person, any director, officer, employee, member, agent, manager, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

“**Responsible Officer**” means, with respect to any Person, any president, vice-president, manager, secretary or more senior officer of such Person.

“**Sellers’ Indemnitees**” means, collectively, Sellers and their respective Affiliates, and their partners, members, directors, managers, officers, stockholders, employees, successors, and assigns.

“**Sellers’ Transaction Expenses**” means:

(a) all unpaid fees and expenses incurred by or charged to Sellers or the Company for services provided through the Closing in connection with the transactions contemplated by this Agreement, including legal fees, investment banking fees, finder’s fees, brokerage payments, accounting fees and fees to other advisors of Sellers or the Company; and

(b) all change of control payments, deal bonuses, success fees, “stay bonuses,” and any other monetary obligation of the Company that would not have become payable but for the consummation of the transactions contemplated by this Agreement, including the employer portion of any payroll Taxes payable with respect to any such payment; and

(c) 50% of the fees and expenses associated with the Escrow Agreement.

“Sellers’ Transaction Expenses Certificate” means a certificate containing the Sellers’ Transaction Expenses setting forth each of the vendor name, the amounts owed to each vendor and the wire information for each vendor.

“Software” means all: (i) computer programs and other software, including software implementations of algorithms, models, and methodologies, whether in Source Code, object code, or other form, including libraries, subroutines, and other components thereof; (ii) computerized databases and other computerized compilations and collections of data or information, including all data and information included in such databases, compilations, or collections; (iii) screens, user interfaces, command structures, report formats, templates, menus, buttons, and icons; (iv) descriptions, flow-charts, architectures, development tools, and other materials used to design, plan, organize, and develop any of the foregoing; and (v) all documentation, including development, diagnostic, support, user, and training documentation related to any of the foregoing.

“Source Code” means Software programming code (including flash .swf source code, C++ server source code, and JAVA source code) expressed in human readable language, including source code documentation, procedures, flow charts, schematic diagrams, and annotations that comprise the pre-coding detail design specification, and all other technical documentation used to build, maintain, and enhance Software.

“Subsidiary” means, with respect to any Person, (a) any corporation 50% or more of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person, directly or indirectly through Subsidiaries, and (b) any partnership, limited liability company, association, joint venture, trust or other Entity in which such Person, directly or indirectly through Subsidiaries, is either a general partner, has a 50% or greater equity interest at the time or otherwise owns a controlling interest.

“Tax” or **“Taxes”** means (a) any taxes, fees, unclaimed property and escheat obligations and similar assessments imposed by any Taxing Authority, including income, profits, gross receipts, net proceeds, alternative or add-on minimum, ad valorem, value added, sales, use, real property, personal property (tangible and intangible), environmental, stamp, leasing, lease, user, excise, duty, franchise, capital stock, transfer, registration, withholding, social security (or similar), unemployment, disability, payroll, employment, fuel, excess profits, occupational, premium, windfall profit, severance, actual or estimated, or other similar charge, including any interest, penalty, or addition thereto, whether disputed or not, (b) all liability for the payment of any amounts of the type described in clause (a) as the result of being (or ceasing to be) a member of an affiliated, consolidated, combined, unitary or similar group (or being included (or required to be included) in any Tax Return related thereto), including pursuant to Treasury Regulation Section 1.1502-6; and (c) all liability for the payment of any amounts as a result of an express or implied obligation to indemnify or a legal, express or implied obligation to otherwise assume or succeed to the liability of any other Person with respect to the payment of any amounts of the type described in clause (a) or clause (b).

“Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Taxing Authority” means, with respect to any Tax, the Governmental Entity or political subdivision thereof that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such entity or subdivision, including any Governmental Entity or agency that imposes, or is charged with collecting, social security or similar charges or premiums.

“Third-Party” means any Person who or which is not a Party or an Affiliate of a Party.

“Trademark” means any trademark or service mark protectable under federal, state, provincial, or foreign Laws, including, but not limited to, common law.

“Transaction Documents” means, collectively, this Agreement, the Employment Agreements, and all of the certificates, instruments, and agreements required to be delivered under this Agreement by any of the Parties at the Closing.

EXHIBIT B

Calculation of Net Working Capital

B-1

EXHIBIT C

Flow of Funds

C-1

EXHIBIT D

Excluded Costs

EXHIBIT E

Product Requirements for Joint Product

EXHIBIT F

Non-Binding Business Plan

EXHIBIT G

Specific Indemnification Matters

G-1

Schedule 6.1(n)

Allocation Schedule

Schedule 6.7

Authorization Policy

List of subsidiaries of Valens Semiconductor Ltd.

Name of Subsidiary	Jurisdiction of Organization
Valens Semiconductor Inc.	U.S. (Delaware)
Valens Merger Sub Inc.	U.S. (Delaware)
Valens Trading (Shanghai) Co. Ltd.	China
Valens Semiconductor GmbH	Germany
Valens Japan Ltd.	Japan
Acroname Inc.	U.S. (Colorado)

VALENS SEMICONDUCTOR LTD.

**Statement of Policy Concerning Trading in Company Securities
As amended on December 17, 2024**

**Effective as of
December 17th, 2024**

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I. SUMMARY OF POLICY CONCERNING TRADING IN COMPANY SECURITIES

It is Valens Semiconductor Ltd.'s and its subsidiaries' (collectively, the "Company") policy that it will, without exception, comply with all applicable laws and regulations in conducting its business. Each employee and each director is expected to abide by this policy. When carrying out Company business, employees and directors must avoid any activity that violates applicable laws or regulations. In order to avoid even an appearance of impropriety, the Company's directors, officers and certain other employees are subject to pre-approval requirements described below and other limitations on their ability to enter into transactions involving the Company's securities. Although these limitations do not apply to transactions pursuant to written plans for trading securities that comply with Rule 10b5-1 under the Securities Exchange Act of 1934 (the "Exchange Act"), the entry into, amendment or termination of any such written trading plan is subject to pre-approval requirements and other limitations.

II. THE USE OF INSIDE INFORMATION IN CONNECTION WITH TRADING IN SECURITIES

A. General Rule.

The U.S. securities laws regulate the sale and purchase of securities in the interest of protecting the investing public. U.S. securities laws give the Company, its officers and directors, and other employees the responsibility to ensure that information about the Company is not used unlawfully in the purchase and sale of securities (such as stocks, bonds, notes, debentures, limited partnership units or other equity or debt securities).

All employees and directors should pay particularly close attention to the laws against trading on "inside" information. These laws are based upon the belief that all persons trading in a company's securities should have equal access to all "material" information about that company. For example, if an employee or a director of a company knows material inside financial information, that employee or director is prohibited from buying or selling shares in the company until the information has been adequately disclosed to the public. This is because the employee or director knows information that could cause the share price to change, and it would be unfair for the employee or director to have an advantage (knowledge that the share price could change) that the rest of the investing public does not have. In fact, it is more than unfair; it is considered to be fraudulent and illegal. Civil and criminal penalties for this kind of activity are severe.

The general rule can be stated as follows: It is a violation of federal securities laws for any person to buy or sell securities if he or she is in possession of material inside information. Information is material if there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision. Material information can be favorable or unfavorable. If it is not clear whether inside information is material, it should be treated as if it was material. Some examples of information that could be considered material include:

- Significant changes in key performance indicators of the Company,
- Actual, anticipated or targeted earnings and dividends and other financial information,
- Financial, sales and other significant internal business forecasts, or a change in previously released estimates,
- Mergers, business acquisitions or dispositions, or the expansion or curtailment of operations

- Significant events affecting the Company's operations, including any breach of information systems that compromises the functioning of the Company's information or other systems or results in the exposure or loss of customer information, in particular personal information
- New equity or debt offerings or significant borrowing,
- Changes in debt ratings, or analyst upgrades or downgrades of the issuer or one of its securities,
- Significant changes in accounting treatment, write-offs or effective tax rate,
- Significant litigation or governmental investigation,
- Changes in top management, and
- Stock splits or other corporate actions.

It is inside information if it has not been publicly disclosed in a manner making it available to investors generally on a broad-based non-exclusionary basis (e.g., the filing of a 6-K or 8-K). If it is not clear whether material information has been sufficiently publicized, it should be treated as if it is inside information. Furthermore, it is illegal for any officer, director or other employee in possession of material inside information to provide other people with such information or to recommend that they buy or sell the securities. (This is called "tipping"). In that case, they may both be held liable.

The Securities and Exchange Commission (the "SEC"), prosecutors, the stock exchanges and plaintiffs' lawyers focus on uncovering insider trading. A breach of the insider trading laws could expose the insider or anyone who trades on information provided by an insider to criminal fines up to three times the profits earned and imprisonment up to ten years, in addition to civil penalties (up to three times of the profits earned), and injunctive actions.

Inside information does not belong to the individual directors, officers or other employees who may handle it or otherwise become knowledgeable about it. It is an asset of the Company. For any person to use such information for personal benefit or to disclose it to others outside the Company violates the Company's interests. More particularly, in connection with trading in the Company's securities, it is a fraud against members of the investing public and against the Company. The mere perception that an employee or director traded with the knowledge of material inside information could harm the reputation of both the Company and that employee or director. It is being clarified, that unless otherwise permitted by this Policy, you must not (a) purchase sell, gift or otherwise transfer any security of the Company while you possess material nonpublic information about the Company or (b) purchase, sell, gift or otherwise transfer any security of any other company, while you possess material nonpublic information about the other company that you obtained in connection with your employment by or service to the Company.

B. Who Does the Policy Apply To?

The prohibition against trading on inside information applies to directors, officers and all other U.S. and international employees of the Company and its subsidiaries, and to other people who gain access to that information. The prohibition also applies to:

- a) the spouses, domestic partners and minor children (even if financially independent) of such employees or directors and
- b) anyone to whom such employees or directors provide significant financial support.

Further, the prohibition applies to: 1) any account over which employees, directors and the persons listed in a) and b) above have or share the power, directly or indirectly, to make investment decisions (whether or not such persons have a financial interest in the account) and 2) those accounts established or maintained by such persons with their consent or knowledge and in which such persons have a direct or indirect financial interest.

Because of their access to confidential information on a regular basis, Company policy subjects its directors and certain employees (the “Window Group”) to additional restrictions on trading in Company securities. The restrictions for the Window Group are discussed in Section F below. In addition, directors and certain employees with inside knowledge of material information may be subject to ad hoc restrictions on trading from time to time.

C. Other Companies’ Stock.

Employees and directors who learn material information about suppliers, customers, or competitors (“**Other Entities**”) through their work at the Company, should keep it confidential and not buy or sell stock in such Other Entities until the information becomes public. Employees and directors should not give tips about such stock.

D. Hedging and Derivatives.

Employees and directors are prohibited from engaging in any derivative transactions (including transactions involving options, puts, calls, prepaid variable forward contracts, equity swaps, collars and exchange funds or other derivatives) that are designed to hedge or speculate on any change in the market value of the Company’s equity securities. As discussed below, directors and employees are also prohibited from shorting the Company’s stock.

Trading in options or other derivatives is generally highly speculative and very risky. People who buy options are betting that the stock price will move rapidly. For that reason, when a person trades in options in his or her employer’s stock, it will arouse suspicion in the eyes of the SEC that the person was trading on the basis of inside information, particularly where the trading occurs before a company announcement or major event. It is difficult for an employee or director to prove that he or she did not know about the announcement or event.

If the SEC or the stock exchanges were to notice active options trading by one or more employees or directors of the Company prior to an announcement, they would investigate. Such an investigation could be embarrassing to the Company (as well as expensive), and could result in severe penalties and expense for the persons involved. For all of these reasons, the Company prohibits its employees and directors from trading in options or other securities involving the Company’s stock. This policy does not pertain to employee stock options granted by the Company. Employee stock options cannot be traded.

E. Pledging of Securities, Margin Accounts.

Pledged securities may be sold by the pledgee without the pledgor’s consent under certain conditions. For example, securities held in a margin account may be sold by a broker without the customer’s consent if the customer fails to meet a margin call. Because such a sale may occur at a time when an employee or a director has material inside information or is otherwise not permitted to trade in Company securities, the Company prohibits employees and directors from pledging Company securities in any circumstance, including by purchasing Company securities on margin or holding Company securities in a margin account.

F. General Guidelines.

The following guidelines should be followed in order to ensure compliance with applicable antifraud laws and with the Company's policies:

1. **Nondisclosure.** Material inside information must not be disclosed to anyone, except to persons within the Company whose positions require them to know it. No employee or director should discuss material inside information in public places or in common areas on Company property.

2. **Trading in Company Securities.** No employee or director may place a purchase or sale order, or recommend that another person place a purchase or sale order in the Company's securities when he or she has knowledge of material information concerning the Company that has not been disclosed to the public. This includes orders for purchases and sales of stock, convertible securities and other securities (e.g., bonds) and includes increasing or decreasing investment in Company securities through a retirement account. The exercise of employee stock options is not subject to this policy. However, stock that was acquired upon exercise of a stock option will be treated like any other stock, and may not be sold by an employee who is in possession of material inside information. Any employee or director who possesses material inside information should wait until the start of the second business day after the information has been publicly released before trading. There is no exception to this policy, even for hardship to the employee or director or based on the use of proceeds (such as making a mortgage payment or for an emergency expenditure). It is being clarified that the period during which the Company prepares quarterly financials is a sensitive time for insider trading purposes, as Company personnel may be more likely to possess, or be presumed to possess, material nonpublic information. To avoid the appearance of impropriety and assist Company personnel in planning transactions in the Company's securities for appropriate times, **no officer, director, or employee shall purchase or sell any security of the Company during the period beginning at 11:59 p.m. ET on the 14th calendar day before the end of any fiscal quarter of the Company and ending upon completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company** (such period, a "blackout period" and any time outside a blackout period, a "Window"). For example, if the Company's fourth fiscal quarter ends on December 31, the corresponding blackout period would begin at 11:59 p.m. ET, on December 17 and end at the close of trading (generally, 4:01 p.m. ET) on the second full trading day after the public release of earnings data for such fiscal quarter. The foregoing restrictions do not apply to transactions pursuant to written plans for trading securities that comply with Rule 10b5-1 under the Exchange Act ("10b5-1 Plans").

Avoid Speculation. Investing in the Company's common stock or other securities provides an opportunity to share in the future growth of the Company. But investment in the Company and sharing in the growth of the Company does not mean short range speculation based on fluctuations in the market. Such activities put the personal gain of the employee or director in conflict with the best interests of the Company and its stockholders. Although this policy does not mean that employees or directors may never sell shares, the Company encourages employees and directors to avoid frequent trading in Company stock. Speculating in Company stock is not part of the Company culture.

3. **Trading in Other Securities.** No employee or director should place a purchase or sale order (including investment through a retirement account), or recommend that another person place a purchase or sale order, in the securities of another corporation, if the employee or director learns in the course of his or her employment confidential information about the other corporation that is likely to affect the value of those securities. For example, it would be a violation of the securities laws if an employee or director learned through Company sources that the Company intended to purchase assets from a company, and then placed an order to buy or sell stock in that other company because of the likely increase or decrease in the value of its securities.

4. Restrictions on the Window Group. The Window Group consists of (i) directors and executive officers of the Company and their assistants and household members, (ii) subset of employees in the financial reporting or business development group and (iii) such other persons as may be designated from time to time and informed of such status by the Company's General Counsel. The Window Group is subject to the following restrictions on trading in Company securities in addition to those set forth above:

- trading is permitted during a Window, subject to the restrictions below;
- all trades are subject to prior review by the General Counsel;
- clearance for all trades must be obtained from the Company's General Counsel;
- no trading is permitted outside the Window except for reasons of exceptional personal hardship and subject to prior approval by the Chief Executive Officer and General Counsel; provided that, if one of these individuals wishes to trade outside the Window, it shall be subject to prior approval by the other; and
- individuals in the Window Group are also subject to the general restrictions on all employees.

Note that at times the General Counsel may determine that no trades may occur even during the Window when clearance is requested. This may occur as a result of a pending business transaction, a cyber-breach, or any material development that has not yet been publicly disclosed. No reasons may be provided and the closing of the Window may itself constitute material inside information that should not be communicated.

The foregoing Window Group restrictions do not apply to transactions pursuant to written plans for trading securities that comply with 10b5-1 Plans. However, Window Group members may not enter into, amend or terminate a 10b5-1 Plan relating to Company securities without the prior approval of the General Counsel, which will only be given during a Window period and only if the Window Group member does not have knowledge of material nonpublic information.

G. Applicability of U.S. Securities Laws to International Transactions.

All employees of the Company' and its subsidiaries are subject to the restrictions on trading in Company securities and the securities of other companies. The U.S. securities laws may be applicable to trades in the Company's securities executed outside the U.S., as well as to the securities of the Company's subsidiaries or affiliates, even if they are located outside the United States. Transactions involving securities of subsidiaries or affiliates should be carefully reviewed by counsel for compliance not only with local law but also for possible application of U.S. securities laws.

III. OTHER LIMITATIONS ON SECURITIES TRANSACTIONS

A. Public Resales – Rule 144.

The Securities Act of 1933, as amended, (the "Securities Act") requires every person who offers or sells a security to register such transaction with the SEC unless an exemption from registration is available.

Rule 144 under the Securities Act is the exemption typically relied upon for (i) public resales by any person of "restricted securities" (*i.e.*, unregistered securities acquired in a private offering or sale) and (ii) public resales by directors, officers and other control persons of a company (known as "affiliates") of any of the Company's securities, whether restricted or unrestricted.

The exemption in Rule 144 may only be relied upon if certain conditions are met. These conditions vary based upon whether the Company has been subject to the SEC's reporting requirements for 90 days (and is therefore a "reporting company" for purposes of the rule) and whether the person seeking to sell the securities is an affiliate or not. Application of the rule is complex and Company employees and directors should not make a sale of Company securities in reliance on Rule 144 without obtaining the approval of the General Counsel, who may require the employee or director to obtain an outside legal opinion satisfactory to the General Counsel concluding that the proposed sale qualifies for the Rule 144 exemption.

1. Holding Period. Restricted securities issued by a reporting company (i.e., a company that has been subject to the SEC's reporting requirements for at least 90 days) must be held and fully paid for a period of six months prior to their sale. Restricted securities issued by a non-reporting company are subject to a one-year holding period. The holding period requirement does not apply to securities held by affiliates that were acquired either in the open market or in a public offering of securities registered under the Securities Act. Generally, if the seller acquired the securities from someone other than the Company or an affiliate of the Company, the holding period of the person from whom the seller acquired such securities can be "tacked" to the seller's holding period in determining if the holding period has been satisfied.

2. Current Public Information. Current information about the Company must be publicly available before the sale can be made. The Company's periodic reports filed with the SEC ordinarily satisfy this requirement. If the seller is not an affiliate of the Company issuing the securities (and has not been an affiliate for at least three months) and one year has passed since the securities were acquired from the issuer or an affiliate of the issuer (whichever is later), the seller can sell the securities without regard to the current public information requirement.

Rule 144 also imposes the following additional conditions on sales by persons who are "affiliates." A person or entity is considered an "affiliate," and therefore subject to these additional conditions, if it is currently an affiliate or has been an affiliate within the previous three months:

3. Volume Limitations. The amount of debt securities that can be sold by an affiliate and by certain persons associated with the affiliate during any three-month period cannot exceed 10% of a tranche (or class when the securities are non-participatory preferred stock), together with all sales of securities of the same tranche sold for the account of the affiliate. The amount of equity securities that can be sold by an affiliate during any three-month period cannot exceed the greater of (i) one percent of the outstanding shares of the class or (ii) the average weekly reported trading volume for shares of the class during the four calendar weeks preceding the time the order to sell is received by the broker or executed directly with a market maker.

4. Manner of Sale. Equity securities held by affiliates must be sold in unsolicited brokers' transactions, directly to a market-maker or in riskless principal transactions.

5. Notice of Sale. An affiliate seller must file a notice of the proposed sale with the SEC at the time the order to sell is placed with the broker, unless the amount to be sold neither exceeds 5,000 shares nor involves sale proceeds greater than \$50,000.

Gift transactions for family or estate planning purposes, where securities are gifted to a person or entity subject to this policy are not deemed to involve sales of shares for purposes of Rule 144, so they can be made at any time without limitation on the amount of the gift, conditional upon compliance with this policy. Donees who receive restricted securities from an affiliate generally will be subject to the same restrictions under Rule 144 that would have applied to the donor, depending on the circumstances.

B. Private Resales.

Directors and officers also may sell securities in a private transaction without registration pursuant to Section 4(a)(7) of the Securities Act, which allows resales of shares of reporting companies to accredited investors, provided that the sale is not solicited by any form of general solicitation or advertising . There are a number of additional requirements, including that the seller and persons participating in the sale on a remunerated basis are not “bad actors” under Rule 506(d)(1) of Regulation D or otherwise subject to certain statutory disqualifications; the Company is engaged in a business and not in bankruptcy; and the securities offered have been outstanding for at least 90 days and are not part of an unsold underwriter’s allotment. Private resales must be reviewed in advance by the Company’s General Counsel and may require the participation of outside counsel.

C. Restrictions on Purchases of Company Securities.

In order to prevent market manipulation, the SEC adopted Regulation M under the U.S. Exchange Act. Regulation M generally restricts the Company or any of its affiliates from buying Company stock, including as part of a share buyback program, in the open market during certain periods while a distribution, such as a public offering, is taking place. You should consult with the Company’s General Counsel if you desire to make purchases of Company stock during any period in which the Company is conducting an offering. Similar considerations may apply during period when the Company is conducting or has announced a tender offer.

CERTIFICATIONS

I, Yoram Salinger, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Valens Semiconductor Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: February 25, 2026

By: /s/ Yoram Salinger
Yoram Salinger
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Guy Nathanzon, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Valens Semiconductor Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: February 25, 2026

By: /s/ Guy Nathanzon
 Guy Nathanzon
Chief Financial Officer
(Principal Financial Officer)

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

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Valens Semiconductor Ltd. for the year ended December 31, 2025 (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Yoram Salinger, Chief Executive Officer, certify that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; 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: February 25, 2026

By: /s/ Yoram Salinger
Yoram Salinger
Chief Executive Officer
(Principal Executive Officer)

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

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Valens Semiconductor Ltd. for the year ended December 31, 2025 (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Guy Nathanzon, Chief Financial Officer, certify that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; 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: February 25, 2026

By: /s/ Guy Nathanzon
Guy Nathanzon
Chief Financial Officer
(Principal Financial Officer)



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-259849, 333-269250, 333-276520 and 333-285792) of Valens Semiconductor Ltd. of our report dated February 25, 2026 relating to the financial statements, which appears in this Form 20-F.

Tel-Aviv, Israel
February 25, 2026

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

Kesselman & Kesselman, 146 Derech Menachem Begin St. Tel-Aviv 6492103, Israel,
P.O Box 7187 Tel-Aviv 6107120, Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il

VALENS SEMICONDUCTOR LTD.
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

Effective as of October 2, 2023

Valens Semiconductor Ltd. (the “**Company**”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “**Policy**”). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 12. This Policy is intended to comply with the requirements of Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual and is being adopted in addition to, and not in lieu of, the clawback in any Other Recovery Arrangements.

1. Persons Subject to Policy

This Policy shall apply to and be binding and enforceable on current and former Officers. In addition, the Committee and the Board may, on a going forward basis, apply this Policy to persons who are not Officers, and such application shall apply in the manner determined by the Committee and the Board in their sole discretion.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly and in accordance with Section 4 below, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee and the Board have determined that recovery from the relevant current or former Officer would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any Officer’s right to voluntarily terminate employment for “good reason” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee and the Board shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, a reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation or Erroneously Awarded Compensation, requiring reimbursement or repayment by any person subject to this Policy of such Erroneously Awarded Compensation, seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity or equity-based awards, and, to the extent permitted by law, seeking an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, shareholders and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, as permitted under applicable law, including any Applicable Rules.

6. Exempt Compensation

Notwithstanding anything to the contrary herein, the Company has no obligation to seek recoupment of amounts paid to an Officer which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Committee or the Board, *provided* that such amounts are in no way contingent on, and were not in any way granted on the basis of, the achievement of any Financial Reporting Measure performance goal.

7. Interpretation

This Policy shall be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

8. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person’s potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

9. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to, any Other Recovery Arrangements. Without limiting the foregoing, in the event of a conflict between this Policy and the Compensation Policy, the latter shall prevail, except with respect to the recovery of any portion of Incentive-Based Compensation that is Erroneously Awarded Compensation that would not be recoverable under the Compensation Policy, in which case this Policy shall prevail. Subject to Section 4, the remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company or is otherwise required by applicable law and regulations.

10. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

11. Amendment and Termination

Subject to Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual, the Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association in the U.S.

12. Definitions

“**Applicable Rules**” means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed (including Section 303A.14 of the NYSE Listed Company Manual), and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

“**Board**” means the Board of Directors of the Company.

“**Compensation Policy**” means the Company’s compensation policy for officers and directors, as adopted in accordance with the Israeli Companies Law 5759-1999 and as in effect from time to time.

“**Committee**” means the Compensation Committee of the Board or, in the absence of such a committee, a majority of the independent directors serving on the Board.

“**Effective Date**” means the date on which Section 303A.14 of the NYSE Listed Company Manual becomes effective, i.e., October 2, 2023.

“**Erroneously Awarded Compensation**” means the amount of Incentive-Based Compensation received by a current or former Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

If (i) the Financial Reporting Measure applicable to the relevant Incentive-Based Compensation is stock price or total shareholder return (or any measure derived wholly or in part from either of such measures) and (ii) the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Restatement, then the amount of Erroneously Awarded Compensation shall be determined (on a pre-tax basis) based on the Company’s reasonable estimate of the effect of the Restatement on the Company’s stock price or total shareholder return (or the derivative measure thereof) upon which such Incentive-Based Compensation was received.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP, IFRS and non-GAAP/IFRS financial measures, as well as stock price and total shareholder return.

“**GAAP**” means United States generally accepted accounting principles.

“**IFRS**” means international financial reporting standards as adopted by the International Accounting Standards Board.

“**Impracticable**” means (a) the direct expense paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempt(s) to recover the Erroneously Awarded Compensation, (ii) documented such reasonable attempt(s) and (iii) provided such documentation to the relevant listing exchange or association, (b) the recovery would violate the Company’s home country laws adopted prior to November 28, 2022 pursuant to an opinion of home country counsel; provided that the Company has (i) obtained an opinion of home country counsel, acceptable to the relevant listing exchange or association, that recovery would result in such a violation and (ii) provided such opinion to the relevant listing exchange or association, or (c) 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 the regulations thereunder.

“**Incentive-Based Compensation**” means, with respect to a Restatement, any compensation (including, for the avoidance of doubt, any cash or equity or equity-based compensation, whether deferred or current) that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after such person began service as an Officer; (b) who served as an Officer at any time during the performance period for that compensation; (c) while the Company has a class of securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

“Officer” means any current or former “officer” of the Company within the meaning of Rule 16a-1(f) under the Exchange Act.

“Other Recovery Arrangements” means any clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (including, without limitation, the Compensation Policy).

“Restatement” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

For purposes of this Policy, a Restatement shall not be deemed to occur in the event of a revision of the Company’s financial statements due to an out-of-period adjustment (i.e., when the error is immaterial to the previously issued financial statement and the correction of the error is also immaterial to the current period) or a retrospective (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company’s internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; or (5) revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure.

“Three-Year Period” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or 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 such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

**ACKNOWLEDGMENT AND CONSENT TO
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

The undersigned has received a copy of the Policy for Recovery of Erroneously Awarded Compensation (the “Policy”) adopted by Valens Semiconductor Ltd. (the “Company”), and has read and understands the Policy. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Policy.

As a condition of receiving Incentive-Based Compensation from the Company, the undersigned agrees that any Incentive-Based Compensation received on or after the Effective Date is subject to recovery pursuant to the terms of the Policy. To the extent the Company’s recovery right conflicts with any other contractual rights the undersigned may have with the Company, the undersigned understands that the terms of the Policy shall supersede any such contractual rights. The terms of the Policy shall apply in addition to any right of recoupment against the undersigned under the Compensation Policy or applicable law and regulations.

Date

Signature

Name

Title