

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2021

or

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

For the transition period from _____ to _____

Commission File Number: 000-56004

ONDAS HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

47-2615102

(I.R.S. Employer
Identification No.)

61 Old South Road, #495, Nantucket, MA 02554

(Address of principal executive offices) (Zip Code)

(888) 350-9994

(Registrant's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock par value \$0.0001	ONDS	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's common stock as of May 17, 2021 was 26,672,040.

**ONDAS HOLDINGS INC.
INDEX TO FORM 10-Q**

	<u>Page</u>
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of March 31, 2021 (Unaudited) and December 31, 2020	1
Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2021 and 2020 (Unaudited)	2
Condensed Consolidated Statements of Stockholders' Equity (Deficit) for the Three Months Ended March 31, 2021 and 2020 (Unaudited)	3
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2021 and 2020 (Unaudited)	4
Notes to the Unaudited Condensed Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3. Quantitative and Qualitative Disclosures about Market Risks	34
Item 4. Controls and Procedures	34
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	36
Item 1A. Risk Factors	36
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3. Defaults upon Senior Securities	37
Item 4. Mine Safety Disclosures	37
Item 5. Other Information	37
Item 6. Exhibits	37

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 24,026,187	\$ 26,060,733
Accounts receivable, net	19,226	47,645
Inventory, net	1,152,247	1,152,105
Other current assets	1,003,482	629,030
Total current assets	26,201,142	27,889,513
Property and equipment, net	196,223	163,084
Other Assets:		
Intangible assets, net	332,603	379,530
Lease deposits	118,577	28,577
Deferred offering costs	99,958	-
Operating lease right of use assets	-	51,065
Total other assets	551,138	459,172
Total assets	\$ 26,948,503	\$ 28,511,769
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 1,934,803	\$ 2,368,203
Operating lease liabilities	-	56,168
Accrued expenses and other current liabilities	2,181,299	2,832,780
Secured promissory note, net of debt discount of \$59,914 and \$120,711, respectively	7,064,364	7,003,568
Deferred revenue	56,184	165,035
Notes payable	104,343	59,550
Total current liabilities	11,340,993	12,485,304
Long-Term Liabilities:		
Notes payable	\$ 861,748	906,541
Accrued interest	36,829	36,329
Total long-term liabilities	898,577	942,870
Total liabilities	12,239,570	13,428,174
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock - par value \$0.0001; 5,000,000 and 10,000,000 shares authorized; at March 31, 2021 and December 31, 2020, respectively, and none issued or outstanding at March 31, 2021 and December 31, 2020, respectively	-	-
Preferred stock, Series A - par value \$0.0001; 5,000,000 shares authorized; Common stock - par value \$0.0001; 116,666,667 shares authorized; 26,672,040 and 26,540,769 issued and outstanding, respectively	2,667	2,654
March 31, 2021 and December 31, 2020, respectively	83,093,932	80,330,488
Additional paid in capital	(68,387,666)	(65,249,547)
Accumulated deficit	14,708,933	15,083,595
Total stockholders' equity	14,708,933	15,083,595
Total liabilities and stockholders' equity	\$ 26,948,503	\$ 28,511,769

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
Revenues, net	\$ 1,164,764	\$ 200,198
Cost of goods sold	555,350	181,092
Gross profit	<u>609,414</u>	<u>19,106</u>
Operating expenses:		
General and administration	2,408,854	908,587
Sales and marketing	187,372	549,018
Research and development	894,576	892,929
Total operating expenses	<u>3,490,802</u>	<u>2,350,534</u>
Operating loss	<u>(2,881,388)</u>	<u>(2,331,428)</u>
Other income (expense)		
Other income (expense)	(34,176)	9,013
Interest income	32	92
Interest expense	(222,587)	(484,962)
Total other income (expense)	<u>(256,731)</u>	<u>(475,857)</u>
Loss before provision for income taxes	(3,138,119)	(2,807,285)
Provision for income taxes	<u>-</u>	<u>-</u>
Net loss	<u>(3,138,119)</u>	<u>(2,807,285)</u>
Net loss per share - basic and diluted	<u>\$ (0.12)</u>	<u>\$ (0.14)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>26,672,040</u>	<u>19,756,154</u>

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Unaudited)

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, December 31, 2019	19,756,154	\$ 1,976	\$ 39,339,449	\$ (51,771,667)	(12,430,242)
Stock-based compensation	-	-	25,599	-	25,599
Forgiveness of accrued officers salary	-	-	150,002	-	150,002
Net loss	-	-	-	(2,807,285)	(2,807,285)
Balance, March 31, 2020	<u>19,756,154</u>	<u>\$ 1,976</u>	<u>\$ 39,515,050</u>	<u>\$ (54,578,952)</u>	<u>\$ (15,061,926)</u>
Balance, December 31, 2020	26,540,769	\$ 2,654	\$ 80,330,488	\$ (65,249,547)	15,083,595
Stock-based compensation	-	-	1,348,462	-	1,348,462
Shares issued in exercise of warrants	131,271	13	1,279,879	-	1,279,892
Forgiveness of accrued officers salary	-	-	135,103	-	135,103
Net loss	-	-	-	(3,138,119)	(3,138,119)
Balance, March 31, 2021	<u>26,672,040</u>	<u>\$ 2,667</u>	<u>\$ 83,093,932</u>	<u>\$ (68,387,666)</u>	<u>\$ 14,708,933</u>

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31,	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (3,138,119)	\$ (2,807,285)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation	25,142	24,648
Amortization of deferred financing costs	60,797	159,378
Amortization of intangible assets	12,750	640
Amortization of right of use asset	51,065	66,079
Loss on Intellectual Property	34,178	-
Stock-based compensation	1,348,462	25,599
Changes in operating assets and liabilities:		
Accounts receivable	28,419	14,446
Inventory	(142)	(132,891)
Other current assets	(374,452)	51,299
Accounts payable	(433,400)	547,420
Deferred revenue	(108,851)	(53,091)
Operating lease liability	(56,168)	(115,160)
Accrued expenses and other current liabilities	(515,880)	245,164
Net cash flows used in operating activities	<u>(3,066,199)</u>	<u>(1,973,754)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Patent costs	-	(24,499)
Purchase of equipment	(58,281)	-
Proceeds from sub-lease deposit	-	19,331
Security deposit	(90,000)	2,775
Net cash flows used in investing activities	<u>(148,281)</u>	<u>(2,393)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of warrants	1,279,892	-
Payments for deferred offering costs	(99,958)	-
Net cash flows provided by financing activities	<u>1,179,934</u>	<u>-</u>
Decrease in cash and cash equivalents	(2,034,546)	(1,976,147)
Cash and cash equivalent, beginning of period	26,060,733	2,153,028
Cash and cash equivalents, end of period	<u>\$ 24,026,187</u>	<u>\$ 176,881</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 11,705</u>	<u>\$ 3,187</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Forgiveness of accrued officers salary	<u>\$ 135,103</u>	<u>\$ 150,002</u>

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

The Company

Ondas Holdings Inc. (“Ondas Holdings,” the “Company,” “we,” or “our”) was originally incorporated in Nevada on December 22, 2014 under the name of Zev Ventures Incorporated. On September 28, 2018, we acquired Ondas Networks, Inc., a Delaware corporation (“Ondas Networks”), changed our name to Ondas Holdings Inc., and Ondas Networks, became our sole focus and wholly owned subsidiary. The corporate headquarters for Ondas Holdings is located in Nantucket, MA and the offices and facilities for Ondas Networks are located in Sunnyvale, California.

We have two wholly owned subsidiaries: (i) Ondas Networks, our operating company, originally incorporated in Delaware on February 16, 2006 under the name Full Spectrum Inc., subsequently changed to Ondas Networks Inc. on August 10, 2018, and (ii) FS Partners (Cayman) Limited, a Cayman Islands limited liability company (“FS Partners”). We have one majority owned subsidiary, Full Spectrum Holding Limited, a Cayman Islands limited liability company (“FS Holding”), which owned 100% of Ondas Network Limited, organized in Chengdu Province, China. FS Partners and Ondas Network Limited were both formed for the purpose of operating in China. As of December 31, 2019, we revised our business strategy, and discontinued all operations in China. On June 2, 2020, Ondas Network Limited was deregistered by the authority of the Chengdu High-Tech Zone, Market Supervision Administration. Both FS Partners and FS Holdings had no operations during 2020 and we are in the process of dissolving them and expect the process to be completed by the end of 2021.

Business Activity

Ondas Networks provides wireless connectivity solutions enabling mission-critical Industrial Internet applications and services. We refer to these applications as the Mission-Critical Internet of Things (“MC-IoT”). The Company’s wireless networking products are applicable to a wide range of MC-IoT applications which are most often located at the very edge of large industrial networks. We design, develop, manufacture, sell and support FullMAX, our patented, Software Defined Radio (“SDR”) platform for secure, licensed, private, wide-area broadband networks. Our customers install FullMAX systems in order to upgrade and expand their legacy wide-area network (“WAN”) infrastructure. Our MC-IoT intellectual property has been adopted by the Institute of Electrical and Electronics Engineers (“IEEE”), the leading worldwide standards body in data networking protocols, and forms the core of the IEEE 802.16s standard.

We sell our products and services globally through a direct sales force and value-added sales partners to critical infrastructure providers including major rail operators, commercial and industrial drone operators, electric and gas utilities, water and wastewater utilities, oil and gas producers and pipeline operators, and for other critical infrastructure applications in areas such as homeland security and defense, and transportation.

Our business consists of a single segment of products and services all of which are sold and provided in the United States and certain international markets.

Liquidity

We have incurred losses since inception and have funded our operations primarily through debt and the sale of capital stock. On March 31, 2021, we had stockholders’ equity of approximately \$14,709,000, net short and long-term borrowings outstanding of approximately \$7,169,000 and \$862,000, respectively, cash of approximately \$24,026,000 and working capital of approximately \$14,860,000.

In December 2020, the Company completed a registered public offering of its common stock, generating net proceeds of approximately \$31,254,000. We believe the funds raised in the December 2020 equity offering, in addition to growth in revenue expected as the Company executes its business plan, will fund its operations for at least the next twelve months from the issuance date of these financial statements.

Our future capital requirements will depend upon many factors, including progress with developing, manufacturing and marketing our technologies, the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other proprietary rights, our ability to establish collaborative arrangements, marketing activities and competing technological and market developments, including regulatory changes and overall economic conditions in our target markets. Our ability to generate revenue and achieve profitability requires us to successfully market and secure purchase orders for our products from customers currently identified in our sales pipeline as well as new customers. We also will be required to efficiently manufacture and deliver equipment on those purchase orders. These activities, including our planned research and development efforts, will require significant uses of working capital. There can be no assurance that we will generate revenue and cash as expected in our current business plan. We may seek additional funds through equity or debt offerings and/or borrowings under additional notes payable, lines of credit or other sources. We do not know whether additional financing will be available on commercially acceptable terms or at all, when needed. If adequate funds are not available or are not available on commercially acceptable terms, our ability to fund our operations, support the growth of our business or otherwise respond to competitive pressures could be significantly delayed or limited, which could materially adversely affect our business, financial condition or results of operations.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

COVID-19

In December 2019, a novel strain of coronavirus (“COVID-19”) was identified in Wuhan, China, and has subsequently spread to other regions of the world, and has resulted in increased travel restrictions, business disruptions and emergency quarantine measures across the world including the United States.

The Company’s business, financial condition and results of operations were impacted from the COVID-19 pandemic for the three months ended March 31, 2021 and the year ended December 31, 2020 as follows:

- sales and marketing efforts were disrupted as our business development team was unable to travel to visit customers and customers were unable to receive visitors for on-location meetings;
- field activity for testing and deploying our wireless systems was delayed due to the inability for our field service team to install and test equipment for our customers

In the first quarter of 2020, we reduced our business activity to critical operations only, and furloughed 80% of our workforce. Per orders issued by the Health Officer of the County of Santa Clara, our corporate offices and facilities were closed, except for functions related to the support of remote workers and product support related to the essential transportation sector. On May 13, 2020, we reopened our offices and facilities and as of December 31, 2020 we had no employees remaining on furlough. Of the 18 employees previously furloughed, 14 are currently employed by us.

During 2020, in response to COVID-19 employee furloughs, Eric A. Brock, the Company’s Chief Executive Officer and Stewart W. Kantor, the Company’s Chief Financial Officer, accepted a pay reduction of 90% for the period from March 21 to May 19, 2020 and a 35% pay reduction from May 20 to December 15, 2020. Mr. Brock and Mr. Kantor’s salaries were returned to 100% effective December 16, 2020.

The Company expects its business, financial condition and results of operations will be impacted from the COVID-19 pandemic during 2021, primarily due to the slowdown of customer activity during 2020 and 2021. Further, the COVID-19 pandemic is ongoing and remains an unknown risk for the foreseeable future. The extent to which the coronavirus may impact our business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus. As a result, the Company is unable to reasonably estimate the full extent of the impact from the COVID-19 pandemic on its future business, financial condition and results of operations. In addition, if the Company were to experience any new impact to its operations or incur additional unanticipated costs and expenses as a result of the COVID-19 pandemic, such operational delays and unanticipated costs and expenses there could be a further adverse impact on the Company’s business, financial condition and results of operations during 2021.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial statements for interim periods in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The information included in this quarterly report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K"). The Company's accounting policies are described in the "Notes to Consolidated Financial Statements" in the 2020 Form 10-K and are updated, as necessary, in this Form 10-Q. The December 31, 2020 condensed consolidated balance sheet data presented for comparative purposes was derived from the audited financial statements but does not include all disclosures required by U.S. GAAP. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries, Ondas Networks and FS Partners, and our majority owned subsidiary, FS Holding. All significant inter-company accounts and transactions between these entities have been eliminated in these unaudited condensed consolidated financial statements.

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. Such management estimates include those relating to revenue recognition, inventory write-downs to reflect net realizable value, assumptions used in the valuation of stock-based awards and valuation allowances against deferred tax assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. On March 31, 2021 and December 31, 2020, we had no cash equivalents. The Company periodically monitors its positions with, and the credit quality of the financial institutions with which it invests. Periodically, throughout the three months ended, and as of March 31, 2021, the Company has maintained balances in excess of federally insured limits. As of March 31, 2021, the Company was approximately \$23,750,000 in excess of federally insured limits.

Inventory

Inventories, which consist solely of raw materials, work in process and finished goods, are stated at the lower of cost (first-in, first-out) or net realizable value, net of reserves for obsolete inventory. We continually analyze our slow-moving and excess inventories. Based on historical and projected sales volumes and anticipated selling prices, we established reserves. Inventory that is in excess of current and projected use is reduced by an allowance to a level that approximates its estimate of future demand. Products that are determined to be obsolete are written down to net realizable value. As of March 31, 2021 and December 31, 2020, we determined that no such reserves were necessary.

Inventory consists of the following:

	March 31, 2021	December 31, 2020
Raw Material	\$ 1,010,642	\$ 911,753
Work in Process	32,357	172,207
Finished Goods	109,248	68,145
TOTAL INVENTORY, NET	<u>\$ 1,152,247</u>	<u>\$ 1,152,105</u>

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Financial Instruments

Our financial instruments consist primarily of receivables, accounts payable, accrued expenses and short- and long-term debt. The carrying amount of receivables, accounts payable and accrued expenses approximates our fair value because of the short-term maturity of such instruments.

We have categorized our assets and liabilities that are valued at fair value on a recurring basis into a three-level fair value hierarchy in accordance with U.S. GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and lowest priority to unobservable inputs (Level 3).

Assets and liabilities recorded in the balance sheets at fair value are categorized based on a hierarchy of inputs, as follows:

- Level 1** -- Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2** -- Quoted prices for similar assets or liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- Level 3** -- Unobservable inputs for the asset or liability.

The Company had no financial instruments that are required to be valued at fair value as of March 31, 2021 and December 31, 2020.

Deferred Offering Costs

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of equity financings, these costs are recorded in stockholders' equity (deficit) as a reduction of additional paid-in capital generated as a result of the offering. Should the planned equity financings be abandoned, the deferred offering costs are expensed immediately as a charge to other income (expense) in the consolidated statement of operations.

Revenue Recognition

The Company is engaged in the development, marketing and sale of wireless radio systems for secure, wide area mission-critical, business-to business networks. We generate revenue primarily through from the sale of our FullMAX System and the delivery of related services, along with non-recurring engineering ("NRE") development projects with certain customers. On April 23, 2020, effective April 24, 2020, the Company and Siemens Mobility, Inc. ("Siemens") (the "Parties") entered into a Joint Development Agreement (the "JDA") and a Brand Label and Master Purchase Agreement (the "BLA"). The JDA calls for the joint development of (i) a dual-mode 900 MHz over-the-air ATCS compatible, MC-IoT capable base station radio and (ii) a dual-purpose 900 MHz, over-the-air advanced train control system ("ATCS") compatible, MC-IoT capable wayside radio. The BLA calls for the purchase by Siemens of certain products developed under the JDA to create a Siemens-branded portfolio of wireless radio communication systems to the North American Rail Market. As of March 31, 2021 the ATCS joint development program was 97.5% completed.

On January 29, 2021 (effective date), the Company and Siemens signed a letter of intent to start negotiations to enter into a definitive agreement for the development a new product for the global rail market. Preliminary and other work on this project began in the first quarter of 2021 with 11% being completed as of March 31, 2021.

On March 11, 2021, the Company received a purchase order from AURA Network System ("AURA") to develop a radio system capable of performing Base Station and Mobile Remote functions in support of AURA's C2 UAS system. As of March 31, 2021, 67% of the project was completed.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Collaboration Arrangements Within the Scope of ASC 808, Collaborative Arrangements

The Company's development revenue includes contracts where the Company and the customer work cooperatively to develop software and hardware applications. The Company analyzes these contracts to assess whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities and are therefore within the scope of ASC Topic 808, Collaborative Arrangements ("ASC 808"). This assessment is performed throughout the life of the arrangement based on changes in the responsibilities of all parties in the arrangement. For collaboration arrangements that are deemed to be within the scope of ASC 808, the Company first determines which elements of the collaboration are deemed to be within the scope of ASC 808 and those that are more reflective of a vendor-customer relationship and therefore within the scope of ASC 606, Revenue from Contracts with Customers ("ASC 606"). The Company's policy is generally to recognize amounts received from collaborators in connection with joint operating activities that are within the scope of ASC 808 as a reduction in research and development expense. As of March 31, 2021, the Company has not identified any contracts with its customers that meet the criteria of ASC 808.

Arrangements Within the Scope of ASC 606, Revenue from Contracts with Customers

Under ASC 606, the Company recognizes revenue when the customer obtains control of promised products or services, in an amount that reflects the consideration which is expected to be received in exchange for those products or services. The Company recognizes revenue following the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the products or services it transfers to the customer.

At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the products or services promised within each contract and determines those that are performance obligations and assesses whether each promised product or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price utilizing the expected value method. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available. Sales and other taxes collected on behalf of third parties are excluded from revenue. For the three months ended March 31, 2021 and 2020, none of our contracts with customers included variable consideration.

Contracts that are modified to account for changes in contract specifications and requirements are assessed to determine if the modification either creates new or changes the existing enforceable rights and obligations. Generally, contract modifications are for products or services that are not distinct from the existing contract due to the inability to use, consume or sell the products or services on their own to generate economic benefits and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis. For the three months ended March 31, 2021 and March 31, 2020, there were no modifications to contract specifications.

The Company is engaged in the development, marketing and sale of wireless radio systems for secure, wide area mission-critical, business-to-business networks. We generate revenue primarily from the sale of our FullMAX System and the delivery of related services, along with non-recurring engineering ("NRE") development projects with certain customers.

Product revenue is comprised of sales of the Company's software defined base station and remote radios, its network management and monitoring system, and accessories. The Company's software and hardware is sold with a limited one-year basic warranty included in the price. The limited one-year basic warranty is an assurance-type warranty, is not a separate performance obligation, and thus no transaction price is allocated to it. The nature of tasks under the limited one-year basic warranty only provide for remedying defective product(s) covered by the warranty. Product revenue is generally recognized when the customer obtains control of our product, which occurs at a point in time, and may be upon shipment or upon delivery based on the contractual shipping terms of a contract, or upon installation when the combined performance obligation is not distinct within the context of the contract.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Service revenue is comprised of separately priced extended warranty sales, network support and maintenance, remote monitoring, as well as ancillary services directly related to the sale of the Company's wireless communications products including wireless network design, systems engineering, radio frequency planning, software configuration, product training, installation, and onsite support. The extended warranty we sell provides a level of assurance beyond the coverage for defects that existed at the time of a sale or against certain types of covered damage. The extended warranty includes 1) factory hardware repair or replacement of the base station and remote radios, at our election, 2) software upgrades, bug fixes and new features of the radio software and network management systems ("NMS"), 3) deployment and network architecture support, and 4) technical support by phone and email. Ancillary service revenues are recognized at the point in time when those services have been provided to the customer and the performance obligation has been satisfied. With respect to extended warranty sales and remote monitoring, the Company applies the input method using straight-line recognition.

Development revenue is comprised primarily of non-recurring engineering service contracts to develop software and hardware applications for various customers. A significant portion of this revenue is generated through three contracts with two customers whereby the Company is to develop such applications to interoperate within the customers infrastructure. For these contracts, the Company and the customers work cooperatively, whereby the customers' involvement is to provide technical specifications for the product design, as well as, to review and approve the project progress at various markers based on predetermined milestones. The products developed are not able to be sold to any other customer and are based in part upon existing Company and customer technology. Development revenue is recognized as services are provided over the life of the contract as the Company has an enforceable right to payment for services completed to date and there is no alternative use of the product.

If the customer contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. We enter into certain contracts within our service revenues that have multiple performance obligations, one or more of which may be delivered subsequent to the delivery of other performance obligations. We allocate the transaction price based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation. We determine standalone selling prices based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price considering available information such as market conditions and internally approved pricing guidelines related to the performance obligations. Revenue is then allocated to the performance obligations using the relative selling prices of each of the performance obligations in the contract.

Our payment terms vary and range from Net 15 to Net 30 days from the date of the invoices for product and services related revenue. Our payment terms for the majority of our development related revenue carry milestone related payment obligations which span the contract life. For milestone-based contracts, the customer reviews the completed milestone and once approved, makes payment pursuant to the applicable contract.

These contracts are also assessed to determine whether they are collaborative arrangements within ASC 808. As of March 31, 2021, the Company notes that no current contracts fall under the guidance within ASC 808 and will continue to be accounted for in accordance with ASC 606.

Disaggregation of Revenue

The following tables present our disaggregated revenues by Type of Revenue and Timing of Revenue:

Type of Revenue	Three Months Ended March 31,	
	2021	2020
Product revenue	\$ 17,600	\$ 15,272
Service revenue	8,210	2,764
Development revenue	1,138,140	182,162
Other revenue	814	-
Total revenue	\$ 1,164,764	\$ 200,198

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended March 31,	
	2021	2020
Timing of Revenue		
Revenue recognized point in time	\$ 18,414	\$ 15,272
Revenue recognized over time	1,146,350	184,926
Total revenue	\$ 1,164,764	\$ 200,198

Contract Assets and Liabilities

We recognize a receivable or contract asset when we perform a service or transfer a good in advance of receiving consideration. A receivable is recorded when our right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. A contract asset is recorded when our right to consideration in exchange for goods or services that we have transferred or provided to a customer is conditional on something other than the passage of time. Contract asset on March 31, 2021 was \$484,048 and is included in other current assets in the Company's unaudited condensed consolidated balance sheet. We did not have any contract assets recorded at December 31, 2020.

We recognize a contract liability when we receive consideration, or if we have the unconditional right to receive consideration, in advance of satisfying the performance obligation. A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration, or an amount of consideration is due from the customer. The table below details the activity in our contract liabilities during the three months ended March 31, 2021, and the year ended December 31, 2020, which is included in accrued expenses and other current liabilities in the Company's unaudited condensed consolidated balance sheet.

	Three Months Ended March 31, 2021	Year Ended December 31, 2020
	Balance at beginning of period	\$ 165,035
Additions	550,000	1,058,850
Transfer to revenue	(658,851)	(1,267,665)
Balance at end of period	\$ 56,184	\$ 165,035

Warranty Reserve

For our software and hardware products, we provide a limited one-year assurance-type warranty and for our development service, we provide no warranties. The assurance-type warranty covers defects in material and workmanship only. If a software or hardware component is determined to be defective after being tested by the Company within the one-year, the Company will repair, replace or refund the price of the covered hardware and/or software to the customer (not including any shipping, handling, delivery or installation charges). We estimate, based upon a review of historical warranty claim experience, the costs that may be incurred under our warranties and record a liability in the amount of such estimate at the time a product is sold. Factors that affect our warranty liability include the number of units sold, historical and anticipated rates of warranty claims, and cost per claim. We periodically assess the adequacy of our recorded warranty liability and adjust the accrual as claims data and historical experience warrants. The Company has assessed the costs of fulfilling its existing assurance-type warranties and has determined that the estimated outstanding warranty obligation on March 31, 2021 or December 31, 2020 are immaterial to the Company's financial statements.

Leases

Under Topic 842, operating lease expense is generally recognized evenly over the term of the lease. During the three months ended March 31, 2021, the Company had one operating lease consisting of office space in Sunnyvale, CA (the "Gibraltar Lease") and for the year ended December 31, 2020, the Company had operating leases primarily consisting of two office space leases in Sunnyvale, California (the "North Pastoria Lease" and the Gibraltar Lease) (collectively, the "Sunnyvale Leases"). On December 31, 2020, the North Pastoria Lease expired. The Gibraltar Lease expired on February 28, 2021 and was verbally extended to March 31, 2021 under the same terms. On January 22, 2021, we entered into a 24-month lease (effective April 1, 2021) with the owner and landlord (the "2021 Gibraltar Lease"), wherein the base rate is \$45,000 per month and including a security deposit in the amount of \$90,000.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On January 24, 2020, the Company and a third party (the “Sublessee”) entered into a Sublease agreement (the “Sublease”) on the North Pastoria Lease, wherein the Sublessee occupied the premises through December 31, 2020. The Sublessee made rent payments of approximately \$9,666 and management fee payments of approximately \$457 per month beginning February 1, 2020, and a one-time security deposit of \$19,332. Sublease rental income for the period from February 1 through December 31, 2020 was \$111,349. On December 31, 2020, \$10,122 of the security deposit was applied to the December 2020 amount due and the balance was refunded on January 19, 2021.

We determine if an arrangement is a lease, or contains a lease, at the inception of the arrangement. If we determine the arrangement is a lease, or contains a lease, at lease inception, we then determine whether the lease is an operating lease or finance lease. Operating and finance leases result in recording a right-of-use (“ROU”) asset and lease liability on our consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. For purposes of calculating operating lease ROU assets and operating lease liabilities, we use the non-cancellable lease term plus options to extend that we are reasonably certain to take. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Our leases generally do not provide an implicit rate. As such, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. This rate is generally consistent with the interest rate we pay on borrowings under our credit facilities, as this rate approximates our collateralized borrowing capabilities over a similar term of the lease payments. We have elected not to recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying assets. We have elected not to separate lease and non-lease components for any class of underlying asset.

Lease Costs

	Three Months Ended March 31,	
	2021	2020
Components of total lease costs:		
Operating lease expense	\$ 80,627	\$ 83,255
Short-term lease costs ⁽¹⁾	-	4,250
Sublease rental income	-	(19,332)
Total lease costs	<u>\$ 80,627</u>	<u>\$ 68,173</u>

(1) Represents short-term leases which are immaterial.

Lease Positions as of March 31, 2021 and December 31, 2020

ROU lease assets and lease liabilities for our operating leases were recorded in the unaudited condensed consolidated balance sheet as follows:

	As of March 31, 2021	As of December 31, 2020
Assets:		
Operating lease assets	\$ -	\$ 51,065
Total lease assets	<u>\$ -</u>	<u>\$ 51,065</u>
Liabilities:		
Operating lease liabilities, current	\$ -	\$ 56,168
Operating lease liabilities, net of current	-	-
Total lease liabilities	<u>\$ -</u>	<u>\$ 56,168</u>

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Other Information

	Three Months Ended March 31,	
	2021	2020
Operating cash flows for operating leases	\$ 85,730	\$ 132,791
Weighted average remaining lease term (in years) – operating lease	-	0.8
Weighted average discount rate – operating lease	14%	14%

Net Loss Per Common Share

Basic net loss per share is computed by dividing net loss by the weighted average shares of common stock outstanding for each period. Diluted net loss per share is the same as basic net loss per share since the Company has net losses for each period presented.

The following potentially dilutive securities for the three months ended March 31, 2021 and 2020 have been excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive.

	Three months ended March 31,	
	2021	2020
Warrants to purchase common stock	593,006	1,590,473
Options to purchase common stock	1,701,639	231,542
Restricted stock purchase offers	640,805	126,160
Total potentially dilutive securities	2,935,450	1,948,175

Concentration of Customers

Because we have only recently invested in our customer service and support organization, a small number of customers have accounted for a substantial amount of our revenue.

The table below sets forth the Company's customers that accounted for greater than 10% of its revenues for the three month periods ended March 31, 2021 and 2020, respectively:

Customer	Three Months Ended March 31,	
	2021	2020
A	18%	91%
B	81%	-%

Customer A accounted for 92% of the Company's accounts receivable balance at March 31, 2021.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod tax allocation and calculating income taxes in interim periods. ASU 2019-12 is applicable to all entities subject to income taxes. ASU 2019-12 provides guidance to minimize complexity in certain areas by introducing a policy election to not allocate consolidated income taxes when a member of a consolidated tax return is not subject to income tax and guides whether to relate a step-up tax basis to a business combination or separate transaction. ASU 2019-12 changes the current guidance of making an intraperiod allocation, determining when a tax liability is recognized after a foreign entity investor transitions to or from equity method of accounting, accounting for tax law changes and year-to-date losses in interim periods, and determining how to apply income tax guidance to franchise taxes. The amendments ASU 2019-12 are effective for all public business entities for fiscal years beginning after December 15, 2020 and include interim periods. The guidance is effective for all other entities for fiscal years beginning after December 15, 2021 and for interim periods beginning after December 15, 2022. Early adoption is permitted. The adoption of this pronouncement had no impact on our accompanying consolidated financial statements.

In June 2016, FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models previously used under U.S. generally accepted accounting principles, which generally require that a loss be incurred before it is recognized. The new standard also applies to financial assets arising from revenue transactions such as contract assets and accounts receivables. For public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC, ASU No. 2016-13 is effective for fiscal years beginning after Dec. 15, 2019. All other entities, ASU No. 2016-13 is effective for fiscal years beginning after Dec. 15, 2022. The adoption of this pronouncement had no impact on our accompanying consolidated financial statements.

In November 2019, the FASB issued ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, which amends certain aspects of the Board’s new credit loss standard (ASC 326). ASU 2019-11 is applicable to companies that hold financial assets in the scope of the credit losses standard. FASB permits to include the following in estimate of expected credit losses: expected recoveries of financial assets previously written off and expected recoveries of financial assets with credit deterioration. The scope of guidance related to expected recoveries includes purchased financial assets with credit deterioration. ASU 2019-11 permits entities to record negative allowance when measuring expected credit losses for a purchased credit deteriorated financial asset and expected recoveries cannot exceed the aggregate amount previously written off or expected to be written off. When discounted cash flow method is not being used to estimate expected credit losses, expected recoveries cannot include any amounts in an acceleration of the noncredit discount. An entity may include increases in expected cash flows after acquisition. Early adoption is not permitted. The adoption of this pronouncement had no impact on our accompanying consolidated financial statements.

Recently Issued Accounting Pronouncements

In May 2021, the Financial Accounting Standards Board (“FASB”) issued accounting standards update (“ASU”) 2021-04—Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options, to clarify and reduce diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this ASU are effective for public and nonpublic entities for fiscal years beginning after December 15, 2021, and interim periods with fiscal years beginning after December 15, 2021. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the effects of the adoption of ASU No. 2021-04 on its consolidated financial statements.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In August 2020, the FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”), which simplifies an issuer’s accounting for convertible instruments by reducing the number of accounting models that require separate accounting for embedded conversion features. ASU 2020-06 also simplifies the settlement assessment that entities are required to perform to determine whether a contract qualifies for equity classification and makes targeted improvements to the disclosures for convertible instruments and earnings-per-share (EPS) guidance. This update will be effective for the Company’s fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Entities can elect to adopt the new guidance through either a modified retrospective method of transition or a fully retrospective method of transition. The Company is currently evaluating the impact of the pending adoption of the new standard on its financial statements and intends to adopt the standard as of January 1, 2024.

Reclassification

Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year presentation.

NOTE 3 – OTHER CURRENT ASSETS

Other current assets consist of the following:

	March 31, 2021	December 31, 2020
Prepaid insurance	\$ 463,331	\$ 623,627
Other prepaid expenses	56,102	5,403
Contract assets	484,049	-
Total other current assets	<u>\$ 1,003,482</u>	<u>\$ 629,030</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	March 31, 2021	December 31, 2020
Vehicle	\$ 149,916	\$ 149,916
Computer Equipment	162,514	112,615
Furniture and fixtures	94,053	94,053
Software	61,287	61,287
Leasehold improvements	28,247	28,247
Test Equipment	33,777	25,395
	<u>529,794</u>	<u>471,513</u>
Less: accumulated depreciation	<u>(333,571)</u>	<u>(308,429)</u>
Total property and equipment, net	<u>\$ 196,223</u>	<u>\$ 163,084</u>

Depreciation expense for the three months ended March 31, 2021 and 2020 was \$25,142 and \$24,648, respectively.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – INTANGIBLE ASSETS

On March 31, 2021, our intangible assets included patent costs totaling \$124,532 (of which \$91,781 represents patent pending costs which are not subject to amortization) less accumulated amortization of patent costs of \$10,511 and license costs totaling \$241,909 less accumulated amortization of license costs of \$23,328. On December 31, 2020, our intangible assets included patent costs totaling \$158,710 (of which \$133,112 represents patent pending costs which are not subject to amortization) less accumulated amortization of patent costs of \$3,809 and license costs totaling \$241,909 less accumulated amortization of license costs of \$17,280. Amortization expense for the three months ended March 31, 2021 and 2020 was \$12,750 and \$640, respectively.

Estimated amortization expense for the next five years for the patent and license costs currently being amortized is as follows:

Year Ending December 31,	Estimated Amortization
2021 (9 months)	\$ 20,600
2022	\$ 27,029
2023	\$ 27,029
2024	\$ 26,752
2025	\$ 26,752

NOTE 6 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	March 31, 2021	December 31, 2020
Accrued payroll and other benefits	\$ 1,470,070	\$ 2,125,981
D&O insurance financing payable	310,446	479,712
Accrued interest	193,453	44,579
Accrued professional fees	91,922	115,000
Other accrued expenses	115,408	67,508
Total accrued expenses and other current liabilities	<u>\$ 2,181,299</u>	<u>\$ 2,832,780</u>

NOTE 7 – SECURED PROMISSORY NOTES

Steward Capital Holdings LP

On March 9, 2018, we entered into a loan and security agreement (the “Agreement”) with Steward Capital Holdings LP (the “Steward Capital”) wherein Steward Capital made available to us a loan in the aggregate principal amount of up to \$10,000,000 (the “Loan”). On March 9, 2018, the Company and Steward Capital, pursuant to the Agreement, entered into a Secured Term Promissory Note for \$5,000,000, having a maturity date of September 9, 2019 (“Tranche A”). The Note bears interest at a per annum rate equal to the greater of (a) 11.25% or (b) 11.25% plus the Prime Rate, less 3.25%. The Agreement also includes payments of \$25,000 in loan commitment fees and \$100,000 (1%) of the funding in loan facility charges. The loan commitment fees and \$50,000 in loan facility charges associated with Tranche A were recorded as debt discount and amortized over the life of the Loan. There is also an end of term charge of \$250,000. The end of term charge was being recorded as accreted costs over the term of the Loan. The Note is secured by substantially all of the assets of the Company.

On October 9, 2018, the Company and Steward Capital, pursuant to the Agreement, entered into a second Secured Term Promissory Note for \$5,000,000 having a maturity date of April 9, 2020 (the “Second Note”) to complete the Agreement for \$10,000,000. The Second Note bears interest at a per annum rate equal to the greater of (a) 11.25% or (b) 11.25% plus the Prime Rate, less 3.25%. Pursuant to the terms of the Agreement, the Company is required to pay a \$50,000 loan facility charge.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On June 18, 2019, the Company and Steward Capital entered into a letter of agreement to amend the Agreement (the “First Amendment”) to (i) extend and amend the maturity date, as defined in Section 1.1 of the Agreement, to read in its entirety “means September 9, 2020” (the “Maturity Date”); (ii) waive the repayment requirement to Steward Capital under Section 2.3 of the Agreement, in connection with the then proposed public offering of the Company as described in the Company’s Registration Statement on Form S-1, as amended, originally filed on April 12, 2019, and (iii) waive the restriction by Steward Capital on the prepayment of Indebtedness under Section 7.4 of the Agreement. In connection with the waivers, extension and amendment, the Company agreed to pay to Steward Capital, upon the earlier of (a) the completion of the public offering as set forth in Section 2.3 of the Agreement and (b) ten (10) days following the Company’s receipt of Steward’s written demand therefor, a fee equal to three percent (3%) of the current outstanding principal balance of the Loan (as defined in the Agreement), neither of which have occurred at the time of this filing. The Company concluded that the modifications created by the First Amendment resulted in a troubled debt restructuring under Accounting Standard Codification—Debt (Topic 470) as it was determined that a concession was granted by Steward Capital. However, as the future payments to be made subsequent to the modification are greater than the carrying value at the time of the modification, no gain or loss was required to be recognized on the troubled debt restructuring. As the difference between the effective interest rate method and the straight-line method is deemed immaterial, the Company will continue to amortize the deferred loan costs using the straight-line method over the remaining term of the Loan.

On October 28, 2019, the Company and Steward Capital entered into a letter of agreement to amend the Agreement, as amended (the “Second Amendment”) wherein the parties agreed to (i) extend and amend the due date for all accrued and unpaid interest starting September 2, 2019 to the Maturity Date and (ii) extend and amend the due date for the 3% fee payable to Steward Capital in connection with the First Amendment and waiver dated June 2019 to be payable on the Maturity Date. In connection with the extensions and amendments, the Company issued Steward Capital 120,000 shares of the Company’s common stock valued at \$300,000 on December 15, 2019. The value was recorded as debt discount and amortized over the life of the Loan. The Company concluded that the modifications created by the Second Amendment resulted in a troubled debt restructuring under Accounting Standard Codification—Debt (Topic 470) as it was determined that a concession was granted by Steward Capital. However, as the future payments to be made subsequent to the modification are greater than the carrying value at the time of the modification, no gain or loss was required to be recognized on the troubled debt restructuring. As the difference between the effective interest rate method and the straight-line method is deemed immaterial, the Company will continue to amortize the deferred loan costs using the straight-line method over the remaining term of the Loan.

On September 4, 2020, the Company and Steward Capital entered into the Second Amendment to the Loan and Security Agreement (the “Second Amendment”) to (i) extend the Maturity Date to September 9, 2021 (the “Extended Maturity Date”) and agree to convert all accrued interest into the note, resulting in a new principal balance of \$11,254,236, (ii) make all accrued and unpaid interest from September 9, 2020 through the date of maturity due on the Extended Maturity Date, (iii) on or before October 1, 2020, Company shall issue 40,000 shares of Company’s stock to Steward valued at \$9.75 per share, or total of \$390,000 (issued on September 30, 2020) and (iv) make the fee of 3% of the outstanding principal balance of the loan, or \$300,000 (as defined in the First Amendment) due at the updated maturity date of September 9, 2021. The Company concluded that the modifications created by the Second Amendment resulted in a troubled debt restructuring under Accounting Standard Codification—Debt (Topic 470) as it was determined that a concession was granted by Steward Capital. However, as the future payments to be made subsequent to the modification are greater than the carrying value at the time of the modification, no gain or loss was required to be recognized on the troubled debt restructuring.

On December 9, 2020, the Company made a \$5,000,000 payment to Steward Capital, applying \$4,679,958 to principal and \$320,042 to accrued interest. On March 31, 2021, the principal balance was \$7,064,364, net of debt discount of \$59,914 and accreted cost of \$550,000. On December 31, 2020, the principal balance was \$7,003,568, net of debt discount of \$120,711 and accreted cost of \$550,000. On March 31, 2021 and December 31, 2020, accrued interest was \$193,453 and \$44,579, respectively, and included in accrued expenses and other current liabilities in the balance sheet in the accompanying consolidated financial statements. Interest expense for the three months ended March 31, 2021 and 2020 was \$148,874 and \$314,375, respectively.

The Agreement also contains covenants which included certain restrictions with respect to subsequent indebtedness, liens, loans and investments, asset sales and share repurchases and other restricted payments, subject to certain exceptions. The Agreement also contained financial reporting obligations. An event of default under the Agreement includes, but is not limited to, breach of covenants, insolvency, and occurrence of any default under any agreement or obligation of the Company. In addition, the Agreement contained a customary material adverse effect clause which states that in the event of a material adverse effect, an event of default would occur, and the lender has the option to accelerate and demand payment of all or any part of the loan. A material adverse effect is defined in the Agreement as a material change in our business, operations, properties, assets or financial condition or a material impairment of its ability to perform all obligations under its Agreement.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On April 14, 2021, the Company requested Steward Capital's waiver of Section 7 (Covenants of Borrower), in connection with a proposed acquisition (See Note 12. Subsequent Events). In connection with the waiver, the Company agreed to, upon consummation of the proposed acquisition, pay Steward Capital an additional \$280,000 and upon the consummation of the proposed acquisition, Steward and the Company shall amend the Agreement to modify the defined term "collateral" to include the intellectual property of the acquired company.

NOTE 8 – LONG-TERM NOTES PAYABLE

Convertible Promissory Notes

On September 14, 2017, the Company and an individual entered into a convertible promissory note with unilateral conversion preferences by the individual (the "Convertible Promissory Note"). On July 11, 2018, the Company's Board approved certain changes to the Convertible Promissory Note wherein the conversion feature was changed from unilateral to mutual between the individual and the Company.

On both March 31, 2021 and December 31, 2020, the total outstanding balance of the Convertible Promissory Note (the "Note") was \$300,000. The maturity date of the Note is based on the payment of 0.6% of quarterly gross revenue until 1.5 times the amount of the Note is paid. Accrued interest on March 31, 2021 and December 31, 2020 was \$36,829 and \$36,329, respectively. Interest expense for the three months ended March 31, 2021 and 2020 was \$3,750.

On September 27, 2019, the holder of the Note was granted a warrant to purchase 46,893 shares of common stock of the Company. The fair value of this warrant was recorded as financing costs in the accompanying consolidated financial statements.

Paycheck Protection Program Loan

On May 4, 2020, the Company applied for a loan pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), as administered by the U.S. Small Business Administration (the "SBA"). The loan, in the principal amount of \$666,091 (the "PPP Loan"), was disbursed by Wells Fargo Bank, National Association ("Lender") on May 6, 2020, pursuant to a Paycheck Protection Program Promissory Note and Agreement (the "Note and Agreement").

The program was later amended by the Paycheck Protection Flexibility Act of 2020 whereby debtors were granted a minimum maturity date of the five-year anniversary of the funding date and a deferral of ten months from the end of the covered period. The PPP Loan bears interest at a fixed rate of 1.00% per annum. Monthly principal and interest payments, less the amount of any potential forgiveness (discussed below), will commence after the sixteen-month anniversary of the funding date. The Company did not provide any collateral or guarantees for the PPP Loan, nor did the Company pay any facility charge to obtain the PPP Loan. The Note and Agreement provides for customary events of default, including those relating to failure to make payment, bankruptcy, breaches of representations and material adverse effects. The Company may prepay the principal of the PPP Loan at any time without incurring any prepayment charges.

All or a portion of the PPP Loan may be forgiven by the SBA upon application to the Lender by the Company within 10 months after the last day of the covered period. The Lender will have 90 days to review borrower's forgiveness application and the SBA will have an additional 60 days to review the Lender's decision as to whether the borrower's loan may be forgiven. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, and covered utilities, and certain covered mortgage interest payments during the twenty-four-week period beginning on the date of the first disbursement of the PPP Loan. For purposes of the CARES Act, payroll costs exclude compensation of an individual employee earning more than \$100,000, prorated annually. Not more than 40% of the forgiven amount may be for non-payroll costs. Forgiveness is reduced if full-time headcount declines, or if salaries and wages for employees with salaries of \$100,000 or less annually are reduced by more than 25%. Although the Company currently believes that its use of the PPP Loan will meet the conditions for forgiveness of the PPP Loan, the Company cannot assure that the PPP Loan will be forgiven, in whole or in part. On May 4, 2021, the Company submitted an application to the lender with supporting detail requesting forgiveness of the loan. However, no determination had been made at the time of the filing of this Form 10-Q.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company has recorded \$104,343 in current liabilities and \$561,748 in long-term liabilities in the Company's accompanying consolidated balance sheet. Accrued interest on March 31, 2021 and December 31, 2020 was \$6,027 and \$4,362, and interest expense for the three months ended March 31, 2021 and 2020 was \$1,665 and \$0.

Future maturities of the loan payable, if not forgiven, are as follows:

Year ending December 31,	
2021	\$ 59,550
2022	179,845
2023	181,652
2024	183,477
2025	61,567
	<u>\$ 666,091</u>

NOTE 9 – STOCKHOLDERS' EQUITY

Preferred Stock

On March 31, 2021, the Company had 10,000,000 shares of preferred stock, par value \$0.0001, authorized, of which 5,000,000 shares are designated as Series A Convertible Preferred Stock ("Series A Preferred") and 5,000,000 shares are non-designated ("blank check") shares. As of March 31, 2021 and December 31, 2020, the Company had no preferred stock outstanding.

Certificate of Designation Series A Preferred Stock

On August 14, 2020, the Company filed a Certificate of Designation with the State of Nevada to designate 5,000,000 shares of the Company's preferred stock as Series A Preferred. Shares of Series A Preferred rank pari passu with the Company's common stock, except that holders of Series A Preferred shall have certain liquidation preferences as set forth in the Certificate of Designation and the holders of the Series A Preferred are not entitled to vote on any matters presented to the stockholder of the Company. The Certificate of Designation became effective on the Closing Date.

The Series A Preferred is convertible at a holder's election any time beginning nine months from the 2020 Closing into shares of the Company's common stock at an initial conversion price equal to the Purchase Price, subject to certain adjustments described below, so that, initially, each share of Series A Preferred shall be convertible into one (1) share of the Company's common stock. Also, the Series A Preferred will be automatically converted into the Company's common stock (a "Mandatory Conversion"), at the then applicable conversion price, in the event of an equity offering of shares of the Company's common stock resulting in the Company uplisting to a national securities exchange (provided that if the per share offering price in such offering is less than the then applicable conversion price for the Series A Preferred, the Series A Preferred will automatically convert based on the offering price in such offering).

In the event of any stock split, stock dividend, or stock combination, the number of shares deliverable and the conversion price of the Series A Preferred will be appropriately adjusted. In the event a Mandatory Conversion is triggered, if the offering price on the date such Mandatory Conversion is triggered is less than a 25% premium \$6.00, the Company will issue additional shares of the Company's common stock for each outstanding share of Series A Preferred to ensure the effective conversion price equals a 25% discount to \$6.00.

Also, for a period of one year from the date of the Purchase Agreements, if the Company undertakes an underwritten public equity offering, the holders of Series A Preferred will enter into a lock-up agreement with respect to the sale of the Series A Preferred and the Company's common stock underlying such Series A Preferred as may be reasonably requested by the Company or the Company's underwriter for such public equity offering.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Common Stock

On March 31, 2021, the Company had 116,666,667 shares of common stock, par value \$0.0001 (the “Common Stock”) authorized for issuance, of which 26,672,040 shares of our Common Stock were issued and outstanding.

On March 28, 2021, the lock-up period terminated for an aggregate of 8,142,894 shares of Common Stock, pursuant to lock-up agreements entered into in connection with the Company’s acquisition of Ondas Networks, as amended.

Reverse Stock Split

On November 3, 2020, the Board of Directors of the Company approved a one-for-three reverse stock split of the Company’s authorized and outstanding common stock, effective November 13, 2020 (the “Reverse Stock Split”).

On November 12, 2020, Company filed a Certificate of Change to the Company’s Articles of Incorporation with the Secretary of State of the State of Nevada to effect the Reverse Stock Split. The Reverse Stock Split became effective at 5:31 p.m., Eastern Time, on November 13, 2020. No fractional shares will be issued as a result of the Reverse Stock Split. Any fractional shares that would result from the Reverse Stock Split will be rounded up to the nearest whole share. Following the Reverse Stock Split, the Company has 116,666,667 shares of Common Stock authorized. On November 16, 2020, the Company’s Common Stock began trading on the OTCQB on a split-adjusted basis under the current trading symbol “ONDS” and the new CUSIP number 68236H 204.

Form S-3

On January 29, 2021, the Company filed a shelf Registration Statement on Form S-3 for up to \$150,000,000 with the SEC (the “Form S-3”) for shares of its Common Stock; shares of its preferred stock, which the Company may issue in one or more series or classes; debt securities, which the company may issue in one or more series; warrants to purchase its Common Stock, preferred stock or debt securities; and units. The Form S-3 was declared effective by the SEC on February 5, 2021.

Warrants to Purchase Common Stock

We use the Black-Sholes-Morton option model (the “Black-Scholes Model”) to determine the fair value of warrants to purchase Common Stock of the Company (“Warrants”). The Black-Scholes Model is an acceptable model in accordance with the GAAP. The Black-Scholes Model requires the use of a number of assumptions including volatility of the stock price, the weighted average risk-free interest rate, and the weighted average term of the Warrant.

The risk-free interest rate assumption is based upon observed interest rates on zero coupon U.S. Treasury bonds whose maturity period is appropriate for the term of the Warrants. Estimated volatility is a measure of the amount by which our stock price is expected to fluctuate each year during the expected life of the award. Our estimated volatility is an average of the historical volatility of peer entities whose stock prices were publicly available over a period equal to the expected life of the awards. We used the historical volatility of peer entities due to the lack of sufficient historical data of our stock price.

No Warrants were issued during the three months ended March 31, 2021 or 2020. As of March 31, 2021, we had Warrants outstanding to purchase an aggregate of 1,748,532 shares of Common Stock with a weighted-average contractual remaining life of approximately 2.1 years, and exercise prices ranging from \$0.03 to \$9.75 per share, resulting in a weighted average exercise price of \$9.11 per share.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

During the three months ended March 2021, certain warrant holders exercised their right to purchase an aggregate of 131,271 shares of the Company's Common Stock at an exercise price of \$9.75 totaling \$1,279,892, all of which was received by the Company in January and March 2021.

Equity Incentive Plan

In September 2018, our Board approved, and our stockholders adopted, the 2018 Equity Incentive Plan (the "2018 Plan") pursuant to which 3,333,334 shares of our Common Stock has been reserved for issuance to employees, including officers, directors and consultants. The 2018 Plan shall be administered by the Board, provided however, that the Board may delegate such administration to the compensation committee of the Board (the "Compensation Committee"). Subject to the provisions of the 2018 Plan, the Board and/or the Compensation Committee shall have authority to grant, in its discretion, incentive stock options, or non-statutory options, stock awards or restricted stock purchase offers ("Equity Awards").

Stock Options to Purchase Common Stock

On January 25, 2021, the Compensation Committee of the Board granted an aggregate of 90,000 stock options to purchase shares of the Company's Common Stock (the "Options") to certain non-employee directors for services prior to December 31, 2020, as a result we recognized \$514,866 as stock-based compensation expense for the year ended December 31, 2020. The 10-year Options have an exercise price of \$12.72 per share and a grant date fair value of \$5.72 per share.

In January 2020, pursuant to the terms of a Severance Agreement, a stock option to purchase 6,542 shares of the Company's Common Stock (the "Option") (valued at \$15,479), was granted to a former employee pursuant to the 2018 Plan. On May 6, 2020, the Option was, by mutual consent, changed to a Warrant, which Warrant is included in the discussion of Warrants above.

On February 15, 2021 the Company entered into an agreement with a service provider wherein stock options to purchase 25,000 shares of common stock were granted and vest on the six-month anniversary of the date of the agreement. The 10-year options have an exercise price of \$12.92 per share and a grant date fair value of \$5.82 per share.

In addition, on January 25, 2021, the Compensation Committee approved 30,000 stock options, which are immediately exercisable, pursuant to the 2018 Plan, at an exercise price of \$12.72 per share with a ten year term,

The assumptions used in the Black-Scholes Model are set forth in the table below.

	Three months ended, 31-Mar-21
Stock price	\$ 12.92
Risk-free interest rate	0.57%
Volatility	52.80%
Expected life in years	10
Dividend yield	0.00%

A summary of our Option activity and related information follows:

	Number of Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance on December 31, 2020	568,006	\$ 7.39	9.4
Granted	25,000	\$ 12.92	0.2
Expired	-	-	-
Terminated	-	-	-
Canceled	-	-	-
Balance on March 31, 2021	593,006	\$ 7.63	9.2
Vested and Exercisable at March 31, 2021	401,589	\$ 7.71	9.3

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At March 31, 2021, total unrecognized estimated compensation expense related to non-vested Options issued prior to that date was approximately \$282,000, which is expected to be recognized over a weighted-average period of 0.7 years. For the three months ended March 31, 2021 and 2020, \$97,162 and \$15,479, respectively, was recorded in stock-based compensation in the accompanying unaudited condensed consolidated financial statements. At March 31, 2021, no Options had been exercised.

Restricted Stock Units

On June 3, 2020, the Company entered into an agreement wherein restricted stock units (“RSU(s)”) for the issuance of 1,000,000 shares of the Company’s Common Stock, with deferred distribution, was granted and issued to Thomas V. Bushey, the Company’s President, pursuant to the 2018 Plan. Stock-based compensation expense for the year ended December 31, 2020 was \$3,150,000. Non-vested RSUs as of December 31, 2020 totaled 625,000 shares. The weighted average grant-date fair value for the RSU is \$8.40. The weighted average vesting period of the RSU is 2.0 years. As of December 31, 2020, unrecognized compensation expense related to the unvested portion of the RSU was \$5,250,000, which is expected to be recognized over a weighted average period of 1.25 years. On January 19, 2021, Thomas V. Bushey resigned as the Company’s. Effective January 19, 2021, (i) Mr. Bushey received 500,000 RSU Shares (375,000 RSU Shares vested as of December 31, 2020 and 125,000 RSU Shares on which the Compensation Committee accelerated vesting), which RSU Shares will be issued on June 3, 2022 pursuant to Mr. Bushey’s deferral election, and (ii) 500,000 RSU shares were canceled. The company recognized stock-based compensation of \$1,050,000 for the three months ended March 31, 2021.

During 2018, the Company entered into an agreement wherein RSUs for the issuance of 126,160 shares of the Company’s Common Stock (the “2018 RSUs”), with deferred distribution, was promised to a consultant pursuant to the 2018 Plan (the “RSU Agreement”). On September 21, 2020, the Company executed the RSU Agreement with the consultant. The 2018 RSUs vested upon the issuance of the RSU Agreement: however, the underlying shares of the Company’s Common Stock will not be issued and delivered to the consultant until December 1, 2021, at the request of the consultant. Stock-based compensation expense for the three months ended March 31, 2021 and 2020 was \$0 and \$10,120, respectively. The grant-date fair value for the RSU is \$0.64 per share. The vesting period of the RSU was 2.0 years.

On January 25, 2021, the Compensation Committee of the Board of Directors of the Company approved the 2021 Director Compensation Policy (the “Policy”). The Policy is applicable to all directors that are not employees or compensated consultants of the Company. Pursuant to the Policy, the annual equity award to non-employee directors will be restricted stock units representing \$60,000. The company recognized stock-based compensation of \$90,000 for the three months ended March 31, 2021. Vesting period is one year. As of March 31, 2021 the unrecognized compensation expense was \$270,000.

In addition, on January 25, 2021, the Compensation Committee approved the following grants: (a) for Messrs. Cohen, Reisfield and Silverman (i) 5,000 restricted stock units pursuant to the 2018 Plan, and (b) for Mr. Seidl and Ms. Sood (i) 5,000 restricted stock units pursuant to the 2018 Plan, and (ii) 10,000 restricted stock units pursuant to the 2018 Plan. Each restricted stock unit represents a contingent right to receive one share of common stock of the Company. The 5,000 restricted stock units granted to each of Messrs. Cohen, Reisfield, Silverman and Seidl and Ms. Sood vest in four successive equal quarterly installments with the first vesting date commencing on the first day of the next calendar quarter, provided that such director is a director of the Company on the applicable vesting dates. The 10,000 restricted stock units granted to Mr. Seidl and Ms. Sood vest in eight successive equal quarterly installments with the first vesting date commencing on the first day of the next calendar quarter, provided that such director is a director of the Company on the applicable vesting dates. All restricted stock units granted to these directors shall vest in full immediately upon a change in control. The company recognized stock-based compensation of \$111,300 for the three months ended March 31, 2021. As of March 31, 2021, the unrecognized compensation expense was \$461,100.

The Company recognizes RSU expense over the period of vesting or period that services will be provided. RSUs issued for past service are recognized as expense in the period in which they are granted. Compensation associated with shares of Common Stock issued or to be issued to consultants and other non-employees is recognized over the expected service period beginning on the measurement date, which is generally the time the Company and the service provider enter into a commitment whereby the Company agrees to grant shares in exchange for the services to be provided.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. There are no such loss contingencies that are included in the financial statements as of March 31, 2021.

Operating Leases

On October 30, 2018, Ondas Networks entered into a Sublease with Texas Instruments Sunnyvale Incorporated, regarding the sublease of approximately 21,982 square feet of rentable space at 165 Gibraltar Court, Sunnyvale, CA 94089 (the “Gibraltar Sublease”), constituting the entire first floor of the premises (except the lobby and two stairwells), as defined under that certain Lease dated April 12, 2004, as amended by the First Lease Amendment dated March 15, 2005, a Second Amendment to Lease dated November 30, 2005, and a Third Amendment to Lease dated November 30, 2010 between Gibraltar Sunnyvale Holdings LLC and Texas Instruments Sunnyvale Incorporated. The Sublease began on November 1, 2018 and ended on February 28, 2021 at a base monthly rent of \$28,577. A security deposit of \$28,577 was paid upon execution of the Sublease. Rent expense for three months ended March 31, 2021 and 2020 was \$80,627 and \$83,255, respectively.

The lease for our offices and facilities for Ondas Networks at 165 Gibraltar Court, Sunnyvale, CA expired on February 28, 2021 and was verbally extended to March 31, 2021 under the same terms. On January 22, 2021, we entered into a 24-month lease (effective April 1, 2021) with Google LLC, the owner and landlord, wherein the base rate is \$45,000 per month and including a security deposit in the amount of \$90,000.

NOTE 11 – RELATED PARTY TRANSACTIONS

Eric A. Brock, the Company’s Chief Executive Officer

On August 14, 2020, pursuant to the terms of the Series A Preferred Stock Offering, Mr. Brock purchased 52,500 shares of Series A Preferred totaling \$315,000 (the “Series A Shares”). On December 8, 2020, the Series A Shares mandatorily converted into an aggregate of 66,676 shares of Common Stock, which includes an aggregate of 13,084 shares of Common Stock in connection with a 25% premium, and an aggregate of 842 shares of Common Stock in lieu of declaring a dividend on shares of Series A Convertible Preferred Stock. See NOTE 9 for details.

- During the year ended December 31, 2020, we accrued \$131,494 for salary owed during 2020 to Mr. Brock, which amount remains outstanding on December 31, 2020. On January 29, 2021, we paid Mr. Brock \$64,344. The balance of \$67,150 was paid on April 15, 2021.

Stewart W. Kantor, the Company’s President and Chief Financial Officer

- During year ended December 31, 2020, we accrued \$2,956 for salary owed during 2020 to Mr. Kantor. As of December 31, 2020, the accrued balance was \$274,831. On January 29, 2021, the Company paid Mr. Kantor \$137,416. The balance of \$137,415 was paid on April 15, 2021.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thomas V. Bushey, the Company's Former President

- On January 19, 2021, Mr. Bushey resigned as the Company's President. Mr. Bushey will continue to serve on the Company's Board, and as a consultant to the Company. Pursuant to the terms of a Separation Agreement and General Release (the "Separation Agreement") dated January 19, 2021 (the "Effective Date"), between Mr. Bushey and the Company, Mr. Bushey agreed to waive his entitlement to accrued salary in the amount of \$125,256 and accrued vacation in the amount of \$9,847 as of the Effective Date.
- On January 19, 2021, Mr. Bushey received 500,000 RSU Shares (375,000 RSU Shares vested as of December 31, 2020 and 125,000 RSU Shares on which the Compensation Committee accelerated vesting), which RSU Shares will be issued on June 3, 2022 pursuant to Mr. Bushey's deferral election.
- As part of the Separation Agreement, Mr. Bushey and the Company entered into a Consulting Agreement dated January 19, 2021 (the "Consulting Agreement"). Pursuant to the Consulting Agreement, Mr. Bushey will provide services to the Company at the direction of the Company's Chief Executive Officer. The Consulting Agreement terminates on July 19, 2021, unless terminated earlier by the Company for cause, or through the mutual agreement of the parties. Mr. Bushey will be paid \$7,500 per month for these services.

NOTE 12 – SUBSEQUENT EVENTS

American Robotics Acquisition

Merger Agreement

On May 17, 2021, the Company entered into an Agreement and Plan of Merger (the "Agreement") with Drone Merger Sub I Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company ("Merger Sub I"), Drone Merger Sub II Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company ("Merger Sub II") and, together with Merger Sub I, the "Merger Subs"), American Robotics, Inc., a Delaware corporation ("American Robotics"), and Reese Mozer, solely in his capacity as the representative of American Robotics' Stockholders (as defined in the Agreement).

The Agreement provides that, upon the terms and subject to the conditions set forth in the Agreement, American Robotics will merge with and into Merger Sub I ("Merger I"), with American Robotics as the surviving entity, and American Robotics will then subsequently and immediately merge with and into Merger Sub II ("Merger II") and, together with Merger I, the "Mergers", with Merger Sub II continuing as the surviving entity and as a direct wholly-owned subsidiary of the Company. The Mergers are subject to customary closing conditions, including approval by the Company's stockholders. The transaction is expected to close in the third quarter of 2021.

The Agreement provides that the Company will acquire American Robotics in exchange for (a) cash consideration in an amount equal to (i) \$7,500,000, *less* certain transaction expenses as described in the Agreement (the "Cash Consideration"); (b) 6,750,000 validly issued, fully paid and non-assessable shares of the Company's common stock, \$0.0001 par value per share, as such number may be adjusted by the terms of the Agreement; (c) warrants, in the form of Exhibit E of the Agreement, exercisable for 1,875,000 shares of the Company's common stock, \$0.0001 par value per share (each a "Warrant"), as such number may be adjusted pursuant to the terms of the Agreement; and (d) the cash released to the Company Stockholders from the PPP Loan Escrow Amount (as defined in the Agreement) (if any). Each Warrant entitles the holder to purchase a number of shares of common stock of the Company at a price equal to the average of the high and low prices of one share of common stock as reported on Nasdaq on the trading day immediately preceding the closing date of the Mergers. Each Warrant shall be exercisable in three equal annual installments commencing on the one year anniversary of the closing date of the Mergers and shall have a term of ten years.

If American Robotics' PPP loans are not forgiven by the U.S. Small Business Administration (the "SBA") prior to the closing of the Mergers, a portion of the Cash Consideration equaling Indebtedness owed by American Robotics on either of its PPP loans plus an amount equal to the amount of interest that would have accrued on such PPP loans as of their maturity dates, will be held in escrow with American Robotics' PPP lender. If an escrow account is established to hold the PPP Loan Escrow Amount at the closing, such amount or a portion thereof, as applicable, will be distributed as merger consideration to American Robotics' Stockholders upon a determination by the SBA that one or both of the PPP loans are forgivable under the CARES Act.

Each of the Company, the Merger Subs, and American Robotics has provided customary representations, warranties and covenants in the Agreement. The completion of the Mergers is subject to various closing conditions, including (a) the requisite regulatory approvals being obtained; (b) the absence of any applicable order (whether temporary, preliminary or permanent) in effect which prohibits the consummation of the Mergers; (c) the absence of any law of any governmental authority of competent jurisdiction prohibiting the consummation of the Mergers; (d) American Robotics obtaining the Requisite Company Vote (as defined in the Agreement); and (e) the Company obtaining stockholder approval of the issuance of securities in the Mergers.

The Agreement contains customary termination rights for both the Company and American Robotics. Both the Company and American Robotics have the right to terminate the Agreement if the Closing does not occur on or before September 30, 2021.

Also on the closing date of the Mergers, the Company expects to enter into employment agreements and issue up to 1,375,000 restricted stock units under the Company's incentive stock plan to key members of American Robotics' management.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Lock-Up and Registration Rights Agreement

In connection with the Mergers, on May 17, 2021, the Company entered into a lock-up and registration rights agreement, by and among the Company and the directors and officers of American Robotics (the "Registration Rights Agreement"). Pursuant to the Registration Rights Agreement (i) the Company agreed to file a resale registration statement for the Registrable Securities (as defined in the Registration Rights Agreement) no later than 90 days following the closing of the Mergers, and to use commercially reasonable efforts to cause it to become effective as promptly as practicable following such filing, (ii) the directors and officers and other American Robotics stockholders who sign a joinder to such agreement were granted certain piggyback registration rights with respect to registration statements filed subsequent to the closing of the Mergers, and (iii) the directors and officers agreed, subject to certain customary exceptions, not to sell, transfer or dispose of any Company common stock for a period of 180 days from the closing of the Mergers.

Promissory Note

On April 22, 2021, the Company made a loan to American Robotics in the aggregate amount of \$2.0 million. The note carries interest at a rate of 2% per annum. The principal and any accrued and unpaid interest shall be due on April 22, 2022.

Steward Capital Waiver

On April 14, 2021, the Company requested Steward Capital's waiver of Section 7 (Covenants of Borrower), in connection with the currently proposed acquisition of American Robotics by the Company. In connection with the waiver, the Company agreed to upon consummation of the proposed acquisition, pay Steward Capital an additional \$280,000 and upon the consummation of the proposed acquisition, Steward and the Company shall amend the Agreement to modify the defined term "collateral" to include the intellectual property of American Robotics.

Consulting Agreement

On April 1, 2021 the company entered into a consulting agreement with a vendor to perform strategic analysis and business development services to the Company. As part of the compensation for services provided, the Company granted non-statutory options under 2018 Plan to purchase 50,000 shares of common stock of the Company at a per share exercise price equal to \$8.72. The options shall vest on September 30, 2021, and shall be exercisable for a period of 5 years following the grant date of the options.

Related Party Transaction

On April 15, 2021, 2020 accrued payroll balances in the amounts of \$67,150 and \$137,415 were paid to Company's officers Eric A. Brock and Stewart W. Kantor, respectively.

PPP Loan

On May 4, 2021, the Company submitted an application to the lender with supporting detail requesting forgiveness of the PPP loan. However, no determination had been made at the time of the filing of this Form 10-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion and analysis provide information which our management believes to be relevant to an assessment and understanding of the results of operations and financial condition of Ondas Holdings Inc. ("we" or the "Company"). This discussion should be read together with our condensed consolidated financial statements and the notes included therein, which are included in this Quarterly Report on Form 10-Q (the "Report"). This information should also be read in conjunction with the information contained in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission (the "SEC") on March 8, 2021, including the audited consolidated financial statements and notes included therein as of and for the year ended December 31, 2020. This discussion contains forward-looking statements that involve risks and uncertainties. For a description of factors that may cause our actual results to differ materially from those anticipated in these forward-looking statements, please refer to the below section of this Report titled "Cautionary Note Regarding Forward-Looking Statements." The reported results will not necessarily reflect future results of operations or financial condition.

Overview

We provide wireless connectivity solutions enabling mission-critical Industrial Internet applications and services. We refer to these applications as the Mission-Critical Internet of Things ("MC-IoT"). Our wireless networking products are applicable to a wide range of MC-IoT applications, which are most often located at the very edge of large industrial networks. These applications require secure, real time connectivity with the ability to process large amounts of data at the edge of large industrial networks. Such applications are required in all of the major critical infrastructure markets, including rail, electric grids, drones, oil and gas, and public safety and government, where secure, reliable and fast operational decisions are required in order to improve efficiency and ensure a high degree of safety and security. We design, develop, manufacture, sell and support FullMAX, our patented, Software Defined Radio ("SDR") platform for secure, licensed, private, wide-area broadband networks. Our customers install FullMAX systems in order to upgrade and expand their legacy wide-area network ("WAN") infrastructure. Our MC-IoT intellectual property has been adopted by the Institute of Electrical and Electronics Engineers ("IEEE"), the leading worldwide standards body in data networking protocols, and forms the core of the IEEE 802.16s standard. Because standards-based communications solutions are preferred by our mission-critical customers and ecosystem partners, Ondas has taken a leadership position in IEEE as it relates to wireless networking for industrial markets. As such, management believes this standards-based approach supports the adoption of the Company's technology across a burgeoning ecosystem of partners and end markets.

Our FullMAX SDR platform is an important and timely upgrade solution for privately-owned and operated wireless WANs, leveraging Internet Protocol-based communications to provide more reliability and data capacity for our mission-critical infrastructure customers. Critical infrastructure markets throughout the globe have reached an inflection point where legacy serial and analog based protocols and network transport systems no longer meet industry needs. In addition to offering enhanced data throughput, FullMAX is an intelligent networking platform enabling the adoption of sophisticated operating systems and equipment supporting next-generation MC-IoT applications over wide field areas. These new MC-IoT applications and related equipment require more processing power at the edge of large industrial networks and the efficient utilization of network capacity and scarce bandwidth resources which can be supported by the "Fog-computing" capability integrated in our end-to-end network platform. Fog-computing utilizes management software to enable edge compute processing and data and application prioritization in the field enabling our customers more reliable, real-time operating control of these new, intelligent MC-IoT equipment and applications at the edge.

We sell our products and services globally through a direct sales force and value-added sales partners to critical infrastructure providers including major rail operators, commercial and industrial drone operators, electric and gas utilities, water and wastewater utilities, oil and gas producers and pipeline operators, and for other critical infrastructure applications in areas such as homeland security and defense, and transportation. We continue to develop our value-added reseller relationships which today include a major strategic partnership with Siemens Mobility for the development of new types of wireless connectivity for the North American Rail. In addition, Ondas and JVCKenwood, a global supplier of Land Mobile Radio (LMR) systems, have jointly responded to a request from the rail industry for the design and delivery of a next generation data and voice platform. We believe our Siemens' partnership and our joint effort with JVCKenwood are indicative of the potential for additional Tier 1 partnerships in our other vertical markets including securing reseller relationships with major suppliers to the worldwide government and homeland security markets. These partnerships are being driven by the flexibility of our FullMAX software to support legacy industrial protocols (e.g. Push to Talk Voice, Dial-up Serial Data Communications, and Advanced Train Control System – ATCS) while simultaneously operating our state of the art MC-IoT protocols. This dual and multi-mode software capability provides major industrial customers with a seamless migration path to advanced internet-protocol-based networks. Over time, these legacy functions, like Push to Talk Voice and ATCS, are transformed into just several of many new data applications we can support.

Our business consists of a single segment of products and services, all of which are sold and provided in the United States and certain international markets. As described below, we are principally focused on penetrating several large opportunities across the transportation, aviation, and government markets to secure initial adoption of our FullMAX platform.

The North American Rail Market and our Siemens Partnership

The North American Rail Network is vast in scale, consisting of 140,000 miles of track, 25,000 locomotives, and 1.6 million railcars. Within this large footprint, we believe there are 200,000 highway crossings, with at least 65,000 of the crossings equipped with electronic systems today, a number which is expected to increase in the coming years. A significant portion of the communications infrastructure has been in operation for more than 20 years and now requires a technological upgrade to support new applications and increased capacity requirements. Our MC-IoT platform offers an excellent migration path for these applications. We believe the Class I Rails value the ability of Ondas' frequency-agnostic SDR architecture to enable a substantial capacity increase utilizing the railroad's existing wireless infrastructure and dedicated FCC licensed radio frequencies, as well as the flexibility to adapt to and take advantage of future changes in spectrum availability. The Class I Rails operate four separate nationwide networks, all of which are addressable by our FullMAX platform. Ondas is targeting the 900 MHz network for the initial adoption of its wireless platform by the Class I Rails, who were awarded greenfield spectrum in the 900 MHz band by the FCC in 2020.

In April 2020, we entered a strategic partnership with Siemens Mobility ("Siemens"), to jointly develop wireless communications products for the North American Rail Industry based on Siemens' Advanced Train Control System ("ATCS") protocol and our MC-IoT platform. The dual-mode ATCS/MC-IoT radio system will support Siemens' extensive installed base of ATCS radios as well as offer Siemens' customers the ability to support a host of new advanced rail applications utilizing our MC-IoT wireless system. These new applications, including Advanced Grade Crossing Activation and Monitoring, Wayside Inspection, Railcar Monitoring and support for next generation signaling and train control systems, are designed to increase railroad productivity, reduce costs and improve safety. The new ATCS-compatible products will be introduced in two phases during Q2 2020: first with a release of a field-selectable ATCS or MC-IoT remote radio interoperable with existing Siemens ATCS base stations and then followed by dual-mode ATCS / MC-IoT base station. In addition to ATCS, Siemens has begun marketing and selling Siemens-branded MC-IoT wireless systems under Siemens' brand name 'Airlink'. In January of 2021, we signed a Letter of Intent ("LOI") with Siemens to develop an additional new product for the worldwide Rail market. The joint development on this product has begun with an expected completion by end of 2021.

We believe the Siemens partnership validates our wireless connectivity solutions and will accelerate the adoption of our wireless technology in the North American Class I Railroad market. We believe Siemens has both the sales and marketing reach and support to drive our technology to wide scale acceptance with international potential. Siemens also brings Ondas access to the North American transit market where our technology has broad potential. In addition to our strategic partnership with Siemens Mobility, we expect to establish additional formal sales and marketing partnerships and OEM relationships with other leading Tier 1 vendors of industrial equipment in 2021.

UAS, Drones and AURA Network Systems

In December 2019, Ondas received a purchase order for FullMAX base stations and remote radios from AURA Networks Systems ("AURA"), a privately held company deploying a nationwide network for the command and control of commercial drones. AURA's key differentiator is its exclusive ownership of dedicated, licensed Air-to-Ground frequencies. We and AURA believe that operators of large, fast-moving and high-flying drones, including those used for inspection and security applications as well as those for the Urban Air Mobility market (also known as "flying cars"), will require a secure command and control network like that planned by AURA. This command and control (C2) network will be designed to meet FAA requirements in order to fly long distances beyond visual line of site (BVLOS) of a drone operator.

In July 2020, we completed delivery of AURA's first purchase order for the ground infrastructure. AURA has now installed its initial nationwide infrastructure based on our FullMAX technology in order to satisfy their FCC license requirements. In January 2021, AURA achieved another major milestone with approval from the FCC to use their frequencies for UAS / Drone operation. Based on this approval and other advances in the network, AURA placed a new purchase order in Q1 2021 for continued system development related to the optimization of FullMAX base station and remote radio equipment for customer testing and demonstration networks. We are currently fulfilling the most recent order with a targeted completion of June 2021. We expect additional purchase orders in 2021 for development work related to further system commercialization, testing and customer demonstrations with planned commercialization to follow. We also expect AURA to place orders for testing equipment and demonstration network kits on behalf of its UAS customers.

Additional Critical Markets

In the coming quarters we expect to launch additional initiatives to take our MC-IoT connectivity and ecosystem partnering strategy into other critical infrastructure markets. As evidence of this, in February 2021, we announced a new partnership with Rogue Industries to target opportunities in US Government and DoD markets. Rogue is an agile, focused marketing organization with significant expertise in bringing new technologies to these critical markets along with significant governmental procurement expertise. This expertise would otherwise require significant expense and time for Ondas to develop internally. Our agreement with Rogue is another example of Ondas leveraging what we refer to our “Ecosystem Flywheel” with our capital-light business model.

COVID-19

In December 2019, a novel strain of coronavirus (“COVID-19”) was identified in Wuhan, China, and has subsequently spread to other regions of the world, and has resulted in increased travel restrictions, business disruptions and emergency quarantine measures across the world including the United States.

The Company’s business, financial condition and results of operations were impacted from the COVID-19 pandemic for the three months ended March 31, 2021 as follows:

- sales and marketing efforts were disrupted as our business development team was unable to travel to visit customers and customers were unable to receive visitors for on-location meetings;
- field activity for testing and deploying our wireless systems was delayed due to the inability for our field service team to install and test equipment for our customers.

In the first quarter of 2020, we reduced our business activity to critical operations only, and furloughed 80% of our workforce. Per orders issued by the Health Officer of the County of Santa Clara, our corporate offices and facilities were closed, except for functions related to the support of remote workers and product support related to the essential transportation sector. On May 13, 2020, we reopened our corporate offices and headquarters and as of December 31, 2020 we had no employees remaining on furlough. Of the 18 employees previously furloughed, 14 are currently employed by us.

The Company expects its business, financial condition and results of operations will be impacted from the COVID-19 pandemic during 2021, primarily due to the slowdown of customer activity during 2020 and 2021. Further, the COVID-19 pandemic is ongoing and remains an unknown risk for the foreseeable future. The extent to which the coronavirus may impact our business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus. As a result, the Company is unable to reasonably estimate the full extent of the impact from the COVID-19 pandemic on its future business, financial condition and results of operations. In addition, if the Company were to experience any new impact to its operations or incur additional unanticipated costs and expenses as a result of the COVID-19 pandemic, such operational delays and unanticipated costs and expenses there could be a further adverse impact on the Company’s business, financial condition and results of operations during 2021.

Although COVID-19 has had an immediate near-term impact on our business operations, we also believe the one outcome of the pandemic will be to reinforce the need for more reliable private commercial and industrial communications. This can be seen specifically in the need for new Unmanned Aerial Systems (“UAS”) solutions including the safe command and control of drones as remote delivery method. In a recent filing at the FCC, the Drone Responders Public Safety Alliance stated, (the) “current COVID-19 pandemic only emphasizes this need, as remote methods of commercial delivery will only become more essential to serve the public good. In light of the current COVID-19 crisis, UAS have the potential to deliver payloads of medical equipment and supplies.”

American Robotics Transaction

Merger Agreement

On May 17, 2021, the Company entered into an Agreement and Plan of Merger (the “Agreement”) with Drone Merger Sub I Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company (“Merger Sub I”), Drone Merger Sub II Inc., a Delaware corporation and a direct wholly owned subsidiary of the Company (“Merger Sub II”) and, together with Merger Sub I, the “Merger Subs”), American Robotics, Inc., a Delaware corporation (“American Robotics”), and Reese Mozer, solely in his capacity as the representative of American Robotics’ Stockholders (as defined in the Agreement).

The Agreement provides that, upon the terms and subject to the conditions set forth in the Agreement, American Robotics will merge with and into Merger Sub I (“Merger I”), with American Robotics as the surviving entity, and American Robotics will then subsequently and immediately merge with and into Merger Sub II (“Merger II”) and, together with Merger I, the “Mergers”), with Merger Sub II continuing as the surviving entity and as a direct wholly-owned subsidiary of the Company. The Mergers are subject to customary closing conditions, including approval by the Company’s stockholders. The transaction, referred to herein as the “American Robotics Transaction,” is expected to close in the third quarter of 2021.

The Agreement provides that the Company will acquire American Robotics in exchange for (a) cash consideration in an amount equal to (i) \$7,500,000, *less* certain transaction expenses as described in the Agreement (the “Cash Consideration”); (b) 6,750,000 validly issued, fully paid and non-assessable shares of the Company’s common stock, \$0.0001 par value per share, as such number may be adjusted by the terms of the Agreement; (c) warrants, in the form of Exhibit E of the Agreement, exercisable for 1,875,000 shares of the Company’s common stock, \$0.0001 par value per share (each a “Warrant”), as such number may be adjusted pursuant to the terms of the Agreement; and (d) the cash released to the Company Stockholders from the PPP Loan Escrow Amount (as defined in the Agreement) (if any). Each Warrant entitles the holder to purchase a number of shares of common stock of the Company at a price equal to the average of the high and low prices of one share of common stock as reported on Nasdaq on the trading day immediately preceding the closing date of the Mergers. Each Warrant shall be exercisable in three equal annual installments commencing on the one year anniversary of the closing date of the Mergers and shall have a term of ten years.

If American Robotics’ PPP loans are not forgiven by the U.S. Small Business Administration (the “SBA”) prior to the closing of the Mergers, a portion of the Cash Consideration equaling Indebtedness owed by American Robotics on either of its PPP loans plus an amount equal to the amount of interest that would have accrued on such PPP loans as of their maturity dates, will be held in escrow with American Robotics’ PPP lender. If an escrow account is established to hold the PPP Loan Escrow Amount at the closing, such amount or a portion thereof, as applicable, will be distributed as merger consideration to American Robotics’ Stockholders upon a determination by the SBA that one or both of the PPP loans are forgivable under the CARES Act.

Each of the Company, the Merger Subs, and American Robotics has provided customary representations, warranties and covenants in the Agreement. The completion of the Mergers is subject to various closing conditions, including (a) the requisite regulatory approvals being obtained; (b) the absence of any applicable order (whether temporary, preliminary or permanent) in effect which prohibits the consummation of the Mergers; (c) the absence of any law of any governmental authority of competent jurisdiction prohibiting the consummation of the Mergers; (d) American Robotics obtaining the Requisite Company Vote (as defined in the Agreement); and (e) the Company obtaining stockholder approval of the issuance of securities in the Mergers.

The Agreement contains customary termination rights for both the Company and American Robotics. Both the Company and American Robotics have the right to terminate the Agreement if the Closing does not occur on or before September 30, 2021.

Also on the closing date of the Mergers, the Company expects to enter into employment agreements and issue up to 1,375,000 restricted stock units under the Company’s incentive stock plan to key members of American Robotics’ management.

Lock-Up and Registration Rights Agreement

In connection with the Mergers, on May 17, 2021, the Company entered into a lock-up and registration rights agreement, by and among the Company and the directors and officers of American Robotics (the “Registration Rights Agreement”). Pursuant to the Registration Rights Agreement (i) the Company agreed to file a resale registration statement for the Registrable Securities (as defined in the Registration Rights Agreement) no later than 90 days following the closing of the Mergers, and to use commercially reasonable efforts to cause it to become effective as promptly as practicable following such filing, (ii) the directors and officers and other American Robotics stockholders who sign a joinder to such agreement were granted certain piggyback registration rights with respect to registration statements filed subsequent to the closing of the Mergers, and (iii) the directors and officers agreed, subject to certain customary exceptions, not to sell, transfer or dispose of any Company common stock for a period of 180 days from the closing of the Mergers.

Promissory Note

On April 22, 2021, the Company made a loan to American Robotics in the aggregate amount of \$2.0 million. The note carries interest at a rate of 2% per annum. The principal and any accrued and unpaid interest shall be due on April 22, 2022.

Results of Operations

Three months ended March 31, 2021 compared to three months ended March 31, 2020

	Three Months Ended March 31,		
	2021	2020	Increase (Decrease)
Revenue	\$ 1,164,764	\$ 200,198	\$ 964,566
Cost of goods sold	555,350	181,092	374,258
Gross profit	609,414	19,106	590,308
Operating expenses:			
General and administrative	2,408,854	908,587	1,500,267
Sales and marketing	187,372	549,018	(361,646)
Research and development	894,576	892,929	1,647
Total operating expense	3,490,802	2,350,534	1,140,268
Operating loss	(2,881,388)	(2,331,428)	549,960
Other income (expense)	(256,731)	(475,857)	(219,126)
Net loss	(3,138,119)	(2,807,285)	330,834

Revenues

Our revenues were \$1,164,764 for the three months ended March 31, 2021 compared to \$200,198 for the three months ended March 31, 2020. Revenues during the three months ended March 31, 2021 included \$17,600 for product, \$8,210 for maintenance, service and support and \$1,138,140 for development agreements with Siemens Mobility and AURA Networks. Revenues during the same period in 2020 included \$15,272 for products, \$2,764 for maintenance/service contracts and \$182,162 for development agreements.

Cost of goods sold

Our cost of sales was \$555,350 for the three months ended March 31, 2021 compared to \$181,092 for the three months ended March 31, 2020. The increase in cost of sales was primarily a result of costs related to the development agreements.

Gross profit

Our gross profit increased by \$590,308 for the three months ended March 31, 2021 compared to the three months ended March 31, 2020 based on the changes in revenues and costs of sales as discussed above. Gross margin for the periods in 2021 and 2020 was 52% and 10%, respectively. This increase in gross margin is a direct result of the new development agreements.

Operating Expenses

Our principal operating costs include the following items as a percentage of total expense.

	Three Months Ended March 31,	
	2021	2020
Human resource costs, including benefits	44.0%	52.6%
Travel and entertainment	0.1%	5.9%
Other general and administration costs:		
Professional fees and consulting expenses	35.6%	11.6%
Other expense	15.2%	15.7%
Depreciation and amortization	1.1%	0.3%
Other research and deployment costs, excluding human resources and travel and entertainment	3.9%	3.3%
Other sales and marketing costs, excluding human resources and travel and entertainment	0.1%	10.6%

Operating expenses increased by \$1,140,268, or 49% as a result of the following items:

	(000s)
Human resource costs, including benefits	\$ 725
Travel and entertainment	(62)
Other general and administration costs:	
Professional fees and consulting costs	298
Other expense	230
Depreciation and amortization	13
Other research and deployment costs, excluding human resources and travel and entertainment	(23)
Other sales and marketing costs, excluding human resources and travel and entertainment	(41)
	<u>\$ 1,140</u>

The increase in operating expenses was primarily as a result of higher stock-based compensation of \$1,348,462 for the three months ended March 31, 2021.

Operating Loss

As a result of the foregoing, our operating loss increased by \$549,960, or 24%, to \$2,881,388 for the three months ended March 31, 2021, compared with \$2,331,428 for the three months ended March 31, 2020. Operating loss increased primarily as a result of higher stock-based compensation of \$1,348,462 for the three months ended March 31, 2021.

Other Income (Expense), net

Other income (expense), net decreased by \$219,126, or 46%, to \$256,731 for the three months ended March 31, 2021, compared with \$475,857 for the three months ended March 31, 2020. During the three months ended March 31, 2021, compared to the same period in 2020, we reported a decrease in interest expense of approximately \$262,375 partially offset by a loss recognized on abandoned patent applications.

Net Loss

As a result of the net effects of the foregoing, net loss increased by \$330,834, or 12%, to \$3,138,119 for the three months ended March 31, 2021, compared with \$2,807,285 for the three months ended March 31, 2020. Net loss per share of common stock, basic and diluted, was \$(0.12) for the three months ended March 31, 2020, compared with approximately \$(0.14) for the three months ended March 31, 2021.

Summary of (Uses) and Sources of Cash

	Three Months Ended March 31,	
	2021	2020
Net cash used in operating activities	\$ (3,066,199)	\$ (1,973,754)
Net cash used in investing activities	(148,281)	(2,393)
Net cash provided by financing activities	1,179,934	-
Decrease in cash	(2,034,546)	(1,976,147)
Cash and cash equivalents, beginning of period	26,060,733	2,153,028
Cash and cash equivalents, end of period	<u>\$ 24,026,187</u>	<u>\$ 176,881</u>

The principal use of cash in operating activities for the three months ended March 31, 2021 was to fund the Company's current expenses primarily related to both sales and marketing and research and development activities necessary to allow us to service and support customers. The increase in cash flows used in operating activities of approximately \$1,100,000 was primarily due to a reduction in payables and accruals. Cash flows used in investing activities increased by \$145,888 primarily due to purchase of lab equipment and a security deposit on our lease renewal in Sunnyvale, CA. The increase in cash provided by financing activities of \$1,179,934 was due to the exercise of warrants of \$1,279,892 partially offset by payments made for deferred offering costs.

For a summary of our outstanding Secured Promissory Notes and Long-Term Notes Payable and, see NOTES 7 and 8 in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Liquidity and Capital Resources

We have incurred losses since inception and have funded our operations primarily through debt and the sale of capital stock. As of March 31, 2021, we had a stockholders' equity of approximately \$14,709,000. At March 31, 2021, we had short-term and long-term borrowings outstanding of approximately \$7,169,000 and \$862,000, respectively. As of March 31, 2021, we had cash of approximately \$24,026,000 and working capital of approximately \$14,860,000.

In December 2020, the Company completed a registered public offering of its common stock, generating net proceeds of approximately \$31,254,000. In addition, we realized net proceeds of approximately \$1,300,000 from the exercise of warrants in the first quarter of 2021.

We believe the funds raised in the December 2020 equity offering, in addition to growth in revenue and profitability expected as the Company executes its business plan, will fund its operations for at least the next twelve months from the issuance date of these financial statements.

As described above, on May 17, 2021, we entered into an definitive agreement to acquire American Robotics. The purchase price will be funded via a mixture of \$7.5 million of cash and equity securities. The American Robotics Transaction is subject to customary closing conditions, including approval by the Company's stockholders. The transaction is expected to close in the third quarter of 2021.

Our future capital requirements will depend upon many factors, including progress with developing, manufacturing and marketing our technologies, the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other proprietary rights, our ability to establish collaborative arrangements, marketing activities and competing technological and market developments, including regulatory changes and overall economic conditions in our target markets. Our ability to generate revenue and achieve profitability requires us to successfully market and secure purchase orders for our products from customers currently identified in our sales pipeline as well as new customers. We also will be required to efficiently manufacture and deliver equipment on those purchase orders. These activities, including our planned research and development efforts, will require significant uses of working capital. There can be no assurances that we will generate revenue and cash flow as expected in our current business plan. We may seek additional funds through equity or debt offerings and/or borrowings under additional notes payable, lines of credit or other sources. We do not know whether additional financing will be available on commercially acceptable terms or at all, when needed. If adequate funds are not available or are not available on commercially acceptable terms, our ability to fund our operations, support the growth of our business or otherwise respond to competitive pressures could be significantly delayed or limited, which could materially adversely affect our business, financial condition or results of operations.

Off-Balance Sheet Arrangements

As of March 31, 2021, we had no off-balance sheet arrangements.

Contractual Obligations

We are a smaller reporting company as defined by Rule 229.10(f)(1) and are not required to provide information under this item.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses, as well as related disclosures. We base our estimates and judgments on historical experience and other assumptions that we believe to be reasonable at the time and under the circumstances, and we evaluate these estimates and judgments on an ongoing basis. Information concerning our critical accounting policies with respect to these items is available in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on March 8, 2021. There have been no significant changes in our critical accounting policies since the filing of the Form 10-K.

Recent Accounting Pronouncements

There have been no material changes to our significant accounting policies as summarized in *NOTE 2* of our Annual Report on Form 10-K for the year ended December 31, 2020. We do not expect that the adoption of any recent accounting pronouncements will have a material impact on our accompanying condensed consolidated financial statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, that relate to future events or to our future operations or financial performance. Any forward-looking statement involves known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statement. Forward-looking statements include statements, other than statements of historical fact, about, among other things:

- our plans to further develop our FullMAX system of wireless base stations;
- our plans to further develop remote radios;
- the adoption by our target industries of the new IEEE 802.16s standard for private cellular networks;
- our future development priorities;
- our estimates regarding the size of our potential target markets;
- our expectations about the impact of new accounting standards;
- our future operations, financial position, revenues, costs, expenses, uses of cash, capital requirements, our need for additional financing or the period for which our existing cash resources will be sufficient to meet our operating requirements; or
- our plans to acquire American Robotics;
- our strategies, prospects, plans, expectations, forecasts or objectives.

Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “forecast,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “targets,” “likely,” “will,” “would,” “could,” “should,” “continue,” “scheduled” and similar expressions or phrases, or the negative of those expressions or phrases, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Although we believe that we have a reasonable basis for each forward-looking statement contained in this report, we caution you that these statements are based on our estimates or projections of the future that are subject to known and unknown risks and uncertainties and other important factors that may cause our actual results, level of activity, performance, experience or achievements to differ materially from those expressed or implied by any forward-looking statement. Actual results, level of activity, performance, experience or achievements may differ materially from those expressed or implied by any forward-looking statement as a result of various important factors, including our critical accounting policies and risks and uncertainties relating, among other things, to:

- our ability to obtain additional financing on reasonable terms, or at all;
- our ability to repay our indebtedness;
- the accuracy of our estimates regarding expenses, costs, future revenues, uses of cash and capital requirements;
- the market acceptance of our wireless connection products and the IEEE 802.16s standard and IEEE 802.16t standard;
- our ability to develop future generations of our current products;
- our ability to generate significant revenues and achieve profitability;
- our ability to successfully commercialize our current and future products, including their rate and degree of market acceptance;
- our ability to attract and retain key scientific or management personnel and to expand our management team;
- our ability to establish licensing, collaboration or similar arrangements on favorable terms and our ability to attract collaborators with development, regulatory and commercialization expertise;
- our ability to manage the growth of our business;
- the success of our strategic partnerships with third parties;
- our ability to complete the American Robotics acquisition;
- expenditures not resulting in commercially successful products;
- our outreach to global markets;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our ability to expand, protect and maintain our intellectual property position;
- the success of competing third-party products;
- our ability to fully remediate our identified internal control material weaknesses;
- regulatory developments in the United States and other countries; and
- our ability to comply with regulatory requirements relating to our business, and the costs of compliance with those requirements, including those on data privacy and security.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 229.10(f)(1) and are not required to provide information under this item.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of March 31, 2021. Based on that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer have concluded that as of the three-month period ended March 31, 2021, due to the existence of the material weakness in the Company's internal control over financial reporting described below, the Company's disclosure controls and procedures were not effective.

Evaluation of Disclosure Controls and Procedures

Our senior management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our Board, senior management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We continue to review our internal control over financial reporting and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the control deficiencies identified during this evaluation and set forth below, our senior management has concluded that we did not maintain effective internal control over financial reporting as of March 31, 2021 due to the existence of a material weakness in internal control over financial reporting as described below.

As set forth below, management will take steps to remediate the control deficiencies identified below. Notwithstanding the control deficiencies described below, we have performed additional analyses and other procedures to enable management to conclude that our consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our financial condition and results of operations as of and for the quarter ended March 31, 2021.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management has determined that the Company did not maintain effective internal control over financial reporting as of the three-month period ended March 31, 2021 due to the existence of the following material weakness identified by management:

Lack of Segregation of Duties and Accounting Resources

Due to our limited accounting staff, the Company's Chief Executive Officer and Chief Financial Officer were responsible for initiating transactions, had custody of assets, recorded transactions and prepared financial reports. Therefore, it was determined that the Company had inadequate segregation of duties in place related to its financial reporting and other management oversight procedures due to the lack of accounting resources.

Accordingly, management has determined that these control deficiencies constitute a material weakness. During 2019, management began implementing the Remediation Plan described herein and intends to continue working on it through the year ended December 31, 2021.

Management's Remediation Plan

Management believes that progress has been made during the three months ended March 31, 2021, and through the date of this report, to remediate the underlying causes of the material weakness in internal control over financial reporting. Management intends to remediate the material weakness in the following manner:

- Identify and employ full time additional senior level accounting personnel to join the corporate accounting function in order to enhance overall monitoring and accounting oversight within the Company;
- continue to engage third-party subject matter experts to aid in identifying and applying US GAAP rules related to complex financial instruments as well as to enhance the financial reporting function;
- design and implement additional internal controls and policies to ensure that we routinely review and document our application of established significant accounting policies; and
- implement additional systems and technologies to enhance the timeliness and reliability of financial data within the organization.

Changes in internal control over financial reporting

Other than the Remediation Plan set forth above, there were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the three months ended March 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are not currently involved in any legal proceeding or investigation by a governmental agency that we believe will have a material adverse effect on our business, financial condition or operating results.

Item 1A. Risk Factors.

Our business, financial condition, operating results, and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth in our Annual Report on 10-K for the year ended December 31, 2020, the occurrence of any one of which could have a material adverse effect on our actual results.

There have been no material changes to the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020, except as set forth below.

American Robotics Transaction

Completion of the American Robotics Transaction is subject to the conditions contained in the Merger Agreement and if these conditions are not satisfied, the American Robotics Transaction will not be completed.

The completion of the American Robotics Transaction is subject to various closing conditions, including (a) the Company obtaining stockholder approval of the shares of common stock and warrants to be issued as consideration, and (b) the shares of the common stock to be issued as consideration, including shares of common stock underlying warrants, in the American Robotics Transaction being approved for listing on Nasdaq.

Many of the conditions to the closing of the American Robotics Transaction are not within our control, and we cannot predict with certainty when or if these conditions will be satisfied. The failure to satisfy any of the required conditions could delay the completion of the American Robotics Transaction or prevent it from occurring. Any delay in completing the American Robotics Transaction could cause us not to realize some or all of the benefits that we expect to achieve if the American Robotics Transaction is successfully completed within the expected timeframe. There can be no assurance that the conditions to the closing of the American Robotics Transaction will be satisfied or that the American Robotics Transaction will be completed or that if completed we will realize the anticipated benefits.

Failure to complete the American Robotics Transaction could negatively impact our stock price and our future business and financial results.

If the American Robotics Transaction is not completed for any reason, our ongoing business may be adversely affected and, without realizing any of the benefits of having completed the American Robotics Transaction, we could be subject to a number of negative consequences, including, among others: (i) we may experience negative reactions from the financial markets, including negative impacts on our stock price; (ii) we will still be required to pay certain significant costs relating to the American Robotics Transaction, including legal, accounting, and financial advisor costs; and (iii) matters related to the American Robotics Transaction (including integration planning) require substantial commitments of our time and resources, which could result in our inability to pursue other opportunities that could be beneficial to us. If the American Robotics Transaction is not completed or if completion of the American Robotics Transaction is delayed, any of these risks could occur and may adversely affect our business, financial condition, financial results, and stock price.

The American Robotics Transaction will involve substantial costs.

We have incurred, and expect to continue to incur, a number of non-recurring costs associated with the American Robotics Transaction. The substantial majority of the non-recurring expenses will consist of transaction and regulatory costs related to the American Robotics Transaction. We will also incur transaction fees and costs related to formulating and implementing integration plans, including system consolidation costs and employment-related costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred from the American Robotics Transaction and integration. Although we anticipate that the elimination of duplicative costs and the realization of other efficiencies and synergies related to the integration should allow us to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None, other than those previously disclosed in a Current Report on Form 8-K.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit No.	Name of Document
10.1	Separation Agreement and General Release, including Consulting Agreement, dated January 19, 2021 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on January 20, 2021)
10.2	Ondas Holdings Inc. 2021 Director Compensation Policy (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 29, 2021).
31.1	Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated May 17, 2021*
31.2	Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated May 17, 2021*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 dated May 17, 2021**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 dated May 17, 2021**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* Filed herewith.

** This certification is being furnished and shall not be deemed "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: May 17, 2021

ONDAS HOLDINGS INC.

By: /s/ Eric A. Brock
Eric A. Brock
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Stewart W. Kantor
Stewart W. Kantor
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric A. Brock, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Ondas Holdings Inc.;
- (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 registrant as of, and for, the periods presented in this report;
- (4) The registrant'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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant'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 registrant'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 registrant's internal control over financial reporting.

May 17, 2021

/s/ Eric A. Brock

Eric A. Brock

Chairman and Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stewart W. Kantor, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Ondas Holdings Inc.;
- (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 registrant as of, and for, the periods presented in this report;
- (4) The registrant'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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant'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 registrant'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 registrant's internal control over financial reporting.

May 17, 2021

/s/ Stewart W. Kantor

Stewart W. Kantor
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Ondas Holdings Inc. (the "Company") on Form 10-Q for the period ending March 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Eric A. Brock, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 17, 2021

/s/ Eric A. Brock

Eric A. Brock
Chairman and Chief Executive Officer
(Principal Executive Officer)

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Ondas Holding Inc. (the "Company") on Form 10-Q for the period ending March 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Stewart W. Kantor, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 17, 2021

/s/ Stewart W. Kantor

Stewart W. Kantor
Chief Financial Officer
(Principal Financial Officer)

A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.