

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, 2022

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.)

411 Waverley Oaks Road, Suite 114, Waltham, MA 02452

(Address of principal executive offices) (Zip Code)

(888) 350-9994

(Registrant's telephone number, including area code)

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:

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
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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 10, 2022 was 42,034,133.

**ONDAS HOLDINGS INC.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

**ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>March 31,</u> 2022	<u>December 31,</u> 2021
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 32,060,661	\$ 40,815,123
Accounts receivable, net	474,471	1,213,195
Inventory, net	1,305,603	1,178,345
Other current assets	1,877,756	1,449,610
Total current assets	<u>35,718,491</u>	<u>44,656,273</u>
Property and equipment, net	<u>2,545,577</u>	<u>1,031,999</u>
Other Assets:		
Goodwill	45,026,583	45,026,583
Intangible assets, net	24,323,246	25,169,489
Long-term equity investment	500,000	500,000
Lease deposits	218,206	218,206
Operating lease right of use assets	3,635,416	836,025
Total other assets	<u>73,703,451</u>	<u>71,750,303</u>
Total assets	<u>\$ 111,967,519</u>	<u>\$ 117,438,575</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 2,397,898	\$ 2,411,085
Operating lease liabilities	861,978	550,525
Accrued expenses and other current liabilities	1,742,467	1,149,907
Deferred revenue	341,469	512,397
Total current liabilities	<u>5,343,812</u>	<u>4,623,914</u>
Long-Term Liabilities:		
Notes payable	300,000	300,000
Accrued interest	39,899	40,152
Operating lease liabilities, net of current	2,732,980	241,677
Total long-term liabilities	<u>3,072,879</u>	<u>581,829</u>
Total liabilities	<u>8,416,691</u>	<u>5,205,743</u>
Commitments and Contingencies (Note 12)		
Stockholders' Equity		
Preferred stock - par value \$0.0001; 5,000,000 shares authorized at March 31, 2022 and December 31, 2021, respectively, and none issued or outstanding at March 31, 2022 and December 31, 2021, respectively	-	-
Preferred stock, Series A - par value \$0.0001; 5,000,000 shares authorized at March 31, 2022 and December 31, 2021, respectively, and none issued or outstanding at March 31, 2022 and December 31, 2021, respectively	-	-
Common stock - par value \$0.0001; 116,666,667 shares authorized; 40,990,604 issued and outstanding at March 31, 2022 and December 31, 2021, respectively	4,099	4,099
Additional paid in capital	193,830,517	192,502,122
Accumulated deficit	<u>(90,283,788)</u>	<u>(80,273,389)</u>
Total stockholders' equity	<u>103,550,828</u>	<u>112,232,832</u>
Total liabilities and stockholders' equity	<u>\$ 111,967,519</u>	<u>\$ 117,438,575</u>

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

	Three Months Ended March 31,	
	2022	2021
Revenues, net	\$ 410,198	\$ 1,164,764
Cost of goods sold	287,932	555,350
Gross profit	<u>122,266</u>	<u>609,414</u>
Operating expenses:		
General and administration	5,524,717	2,408,854
Sales and marketing	681,663	187,372
Research and development	3,907,219	894,576
Total operating expenses	<u>10,113,599</u>	<u>3,490,802</u>
Operating loss	<u>(9,991,333)</u>	<u>(2,881,388)</u>
Other income (expense)		
Other expense	(4,392)	(34,176)
Interest income	-	32
Interest expense	(14,674)	(222,587)
Total other expense	<u>(19,066)</u>	<u>(256,731)</u>
Loss before provision for income taxes	(10,010,399)	(3,138,119)
Provision for income taxes	-	-
Net loss	<u>(10,010,399)</u>	<u>(3,138,119)</u>
Net loss per share - basic and diluted	<u>\$ (0.24)</u>	<u>\$ (0.12)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>40,990,604</u>	<u>26,672,040</u>

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Unaudited)

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, January 1, 2021	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	26,672,040	\$ 2,667	\$ 83,093,932	\$ (68,387,666)	\$ 14,708,933
Balance, January 1, 2022	40,990,604	\$ 4,099	\$ 192,502,122	\$ (80,273,389)	\$ 112,232,832
Stock-based compensation	-	-	1,328,395	-	1,328,395
Net loss	-	-	-	(10,010,399)	(10,010,399)
Balance, March 31, 2022	40,990,604	\$ 4,099	\$ 193,830,517	\$ (90,283,788)	\$ 103,550,828

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

	Three Months Ended	
	March 31,	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (10,010,399)	\$ (3,138,119)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation	39,634	25,142
Amortization of deferred financing costs	-	60,797
Amortization of intangible assets	855,326	12,750
Amortization of right of use asset	168,895	51,065
Loss on Intellectual Property	-	34,178
Stock-based compensation	1,328,395	1,348,462
Changes in operating assets and liabilities:		
Accounts receivable	738,724	28,419
Inventory	(127,258)	(142)
Other current assets	(377,284)	(374,452)
Accounts payable	(13,187)	(433,400)
Deferred revenue	(170,928)	(108,851)
Operating lease liability	(126,155)	(56,168)
Accrued expenses and other current liabilities	592,307	(515,880)
Net cash flows used in operating activities	<u>(7,101,930)</u>	<u>(3,066,199)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Patent costs	(9,083)	-
Purchase of equipment	(1,553,212)	(58,281)
Security deposit	-	(90,000)
Net cash flows used in investing activities	<u>(1,562,295)</u>	<u>(148,281)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of warrants	-	1,279,892
Payments for deferred offering costs	(90,237)	(99,958)
Net cash flows provided by (used in) financing activities	<u>(90,237)</u>	<u>1,179,934</u>
Decrease in cash and cash equivalents	(8,754,462)	(2,034,546)
Cash and cash equivalents, beginning of period	40,815,123	26,060,733
Cash and cash equivalents, end of period	<u>\$ 32,060,661</u>	<u>\$ 24,026,187</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 4,003	\$ 11,705
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Forgiveness of accrued officers salary	\$ -	\$ 135,103
Operating leases right-of-use assets obtained in exchange for lease liabilities	<u>\$ 2,928,911</u>	<u>\$ -</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,” “Ondas,” 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”), and changed our name to Ondas Holdings Inc. On August 5, 2021, we acquired American Robotics, Inc., a Delaware corporation (“American Robotics” or “AR”). As a result of these acquisitions, Ondas Networks and American Robotics became our wholly owned subsidiaries. These two wholly owned subsidiaries are now Ondas’ primary focus. Ondas’ corporate headquarters are located in Waltham, Massachusetts. Ondas Networks has offices and facilities in Sunnyvale, California, and American Robotics’ offices and facilities are located in Waltham, Massachusetts and Marlborough, Massachusetts.

Ondas has a third wholly owned subsidiary, FS Partners (Cayman) Limited, a Cayman Islands limited liability company (“FS Partners”), and one majority owned subsidiary, Full Spectrum Holding Limited, a Cayman Islands limited liability company (“FS Holding”). 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. Both FS Partners and FS Holdings had no operations for the three months ended March 31, 2022 and 2021, and we are in the process of dissolving them and expect the process to be completed by the end of 2022.

Business Activity

Ondas is a leading provider of private wireless, drone and automated data solutions through its wholly owned subsidiaries, Ondas Networks and American Robotics. We operate our two subsidiaries as separate business segments.

Ondas Networks

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”). 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, homeland security 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.

American Robotics

American Robotics designs, develops and manufactures autonomous drone systems, providing high-fidelity, ultra-high-resolution aerial data to enterprise customers. We provide our customers turnkey data solutions designed to meet their unique requirements in the field. We do this via our internally developed Scout System™, an industrial drone platform which provides commercial and government customers with the ability to continuously digitize, analyze, and monitor their assets and field operations in near real-time.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Scout System™ has been designed from the ground up as an end-to-end product capable of continuous unattended operations in the real world. Powered by innovations in robotics automation, machine vision, edge computing, and AI, the Scout System™ provides efficiencies as a drone solution for commercial use. Once installed in the field at customer locations, a fleet of connected Scout Systems remain indefinitely in an area of operation, automatically collecting data each day, self-charging, and seamlessly delivering data analysis regularly and reliably. AR markets the Scout System™ under a Robot-as-a-Service (“RaaS”) business model, whereby our drone platform aggregates customer data and provides the data analytics meeting customer requirements in return for an annual subscription fee.

The Scout System™ consists of (i) Scout™, a highly automated, AI-powered drone with advanced imaging payloads (ii) the ScoutBase™, a ruggedized weatherproof base station for housing, charging, data processing, and cloud transfer, and (iii) ScoutView™, a secure web portal and API which enables remote interaction with the system, data, and resulting analytics anywhere in the world. These major subsystems are connected via a host of supporting technologies. Using a suite of proprietary technologies, including Detect-and-Avoid (“DAA”) and other proprietary intelligent safety systems, we achieved the first and only Federal Aviation Administration (“FAA”) approval for automated operations without a human on-site in the United States on January 15, 2021.

Liquidity

We have incurred losses since inception and have funded our operations primarily through debt and the sale of capital stock. On March 31, 2022, we had stockholders’ equity of approximately \$103,551,000, net short and long-term borrowings outstanding of approximately \$0 and \$300,000, respectively, cash of approximately \$32,061,000 and working capital of approximately \$30,375,000.

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 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, 2022 and the year ended December 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; and
- manufacturing and sales were disrupted due to ongoing supply chain constraints for certain critical parts.

The Company expects its business, financial condition and results of operations will be impacted from the COVID-19 pandemic during 2022, primarily due to the slowdown of customer activity during 2021 and 2020, ongoing supply chain constraints for certain critical parts, and difficulties in attracting employees. 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 COVID-19 and its variants. 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 conditions, 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 could further adversely impact the Company’s business, financial condition and results of operations during 2022.

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, 2021 ("2021 Form 10-K"). The Company's accounting policies are described in the "Notes to Consolidated Financial Statements" in the 2021 Form 10-K and are updated, as necessary, in this Form 10-Q. The December 31, 2021 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, 2022 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

The consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries, Ondas Networks, American Robotics, 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.

Business Combinations

The Company utilized ASC 805, Business Combinations ("ASC 805") to account for the August 5, 2021 acquisition of American Robotics (see note 5 for more details).

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair values of the underlying net assets of an acquired business. The Company tests goodwill for impairment on an annual basis during the fourth quarter of its fiscal year, or immediately if conditions indicate that such impairment could exist. The Company evaluates qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value and whether it is necessary to perform goodwill impairment process.

Intangible assets represent patents, licenses, and allocation of purchase price to identifiable intangible assets of an acquired business. The Company estimates the fair value of its reporting units using the fair market value measurement requirement. Intangible assets are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable.

We amortize our intangible assets with a finite life on a straight-line basis, over 20 years for patents; 10 years for developed technology, 10 years for licenses, trademarks, and the FAA waiver; 5 years for customer relationships; and 1 year for non-compete agreements.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Segment Information

Operating segments are defined as components of an entity for which discrete financial information is available and is regularly reviewed by the Chief Operating Decision Maker (“CODM”) in making decisions regarding resource allocation and performance assessment. The Company’s CODM is its Chief Executive Officer. The Company determined it has two reportable segments: Ondas Networks and American Robotics as the CODM reviews financial information for these two businesses separately. The Company has no inter-segment sales.

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, 2022 and December 31, 2021, 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, 2022, the Company has maintained balances in excess of federally insured limits. As of March 31, 2022, the Company was approximately \$31,423,000 in excess of federally insured limits.

Accounts Receivable

Accounts receivable are stated at a gross invoice amount less an allowance for credit losses. We estimate allowance for credit losses by evaluating specific accounts where information indicates our customers may have an inability to meet financial obligations, such as customer payment history, credit worthiness and receivable amounts outstanding for an extended period beyond contractual terms. We use assumptions and judgment, based on the best available facts and circumstances, to record an allowance to reduce the receivable to the amount expected to be collected. These allowances are evaluated and adjusted as additional information is received. We had no allowance for credit losses as of March 31, 2022 and December 31, 2021.

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.

Inventory consists of the following:

	March 31, 2022	December 31, 2021
Raw Material	\$ 1,268,498	\$ 1,153,254
Work in Process	25,590	65,192
Finished Goods	111,769	60,153
Less Inventory Reserves	(100,254)	(100,254)
Total Inventory, Net	<u>\$ 1,305,603</u>	<u>\$ 1,178,345</u>

Property and Equipment

All additions, including improvements to existing facilities, are recorded at cost. Maintenance and repairs are charged to expense as incurred. Depreciation of property and equipment is principally recorded using the straight-line method over the estimated useful lives of the assets. The estimated useful lives typically are (i) three to seven years for computer equipment and software, (ii) five years for vehicles and base stations, (iii) five to seven years for furniture and fixtures and test equipment, and (iv) two years for drones. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset. Upon the disposal of property, the asset and related accumulated depreciation accounts are relieved of the amounts recorded therein for such items, and any resulting gain or loss is recorded in operating expenses in the year of disposition.

Software

Costs incurred internally in researching and developing a software product are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. We have determined that technological feasibility for our software products is reached after all high-risk development issues have been resolved through coding and testing. Generally, this occurs shortly before the products are released to production. The amortization of these costs is included in cost of revenue over the estimated life of the products. As of March 31, 2022 and December 31, 2021, the Company had no internally developed software.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Impairment of Long-Lived Assets

Long-lived assets are evaluated whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. Such indicators include significant technological changes, adverse changes in market conditions and/or poor operating results. The carrying value of a long-lived asset group is considered impaired when the projected undiscounted future cash flows is less than its carrying value. The amount of impairment loss recognized is the difference between the estimated fair value and the carrying value of the asset or asset group. Fair market value is determined primarily using the projected future cash flows discounted at a rate commensurate with the risk involved. The impairments of long-lived assets was \$0 and \$34,178 for the three months ended March 31, 2022 and 2021, respectively.

Research and Development

Costs for research and development are expensed as incurred. Research and development expenses consist primarily of salaries, salary related expenses and costs of contractors and materials.

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, 2022 and December 31, 2021.

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 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.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the related temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized when the rate change is enacted. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized. In accordance with GAAP, we recognize the effect of uncertain income tax positions only if the positions are more likely than not of being sustained in an audit, based on the technical merits of the position. Recognized uncertain income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which those changes in judgment occur. We recognize both interest and penalties related to uncertain tax positions as part of the income tax provision.

Share-Based Compensation

We calculate share-based compensation expense for option awards and certain warrant issuances (“Share-based Award(s)”) based on the estimated grant/issue date fair value using the Black-Scholes-Merton option pricing model (“Black-Scholes Model”) and recognize the expense on a straight-line basis over the vesting period. We account for forfeitures as they occur. 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 expected term of the Share-based Award in determining the fair value of Share-based Awards. In determining the expected term, the Company uses the simplified method due to the lack of sufficient exercise history. Although we believe our assumptions used to calculate share-based compensation expense are reasonable, these assumptions can involve complex judgments about future events, which are open to interpretation and inherent uncertainty. In addition, significant changes to our assumptions could significantly impact the amount of expense recorded in a given period.

We recognize restricted stock unit expense over the period of vesting or period that services will be provided. 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.

Shipping and Handling

We expense all shipping and handling costs as incurred. These costs are included in cost of goods sold on the accompanying consolidated financial statements.

Revenue Recognition

Development projects

Ondas has two business segments that generate revenue: Ondas Networks and American Robotics. Ondas Networks generates revenue from product sales, services, and development projects. American Robotics generates revenue through data subscription services and development projects.

Ondas Networks is engaged in the development, marketing, and sale of wireless radio systems for secure, wide area mission-critical, business-to-business networks. Ondas Networks generates 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.

American Robotics generates revenue by selling a data subscription service to its customers based on the information collected by the Scout System. The Scout System consists of the Scout drone and the ScoutBaseTM and is owned, installed, and maintained on the customer premises by American Robotics. The customer pays for a monthly, annual, or multi-annual subscription service to access the data collected by the Scout System. The customer accesses its data remotely through ScoutViewTM, AR’s secure web portal for displaying, analyzing, and storing customer information and captured image data. American Robotics also generates revenue from development projects for customers who are interested in customized solutions.

Revenue for development projects is typically recognized over time using a percentage of completion input method, whereby revenues are recorded on the basis of the Company’s estimates of satisfaction of the performance obligation based on the ratio of actual costs incurred to total estimated costs. The input method is utilized because management considers it to be the best available measure of progress as the performance obligations are completed.

Revenue and cost estimates are regularly monitored and revised based on changes in circumstances. Impacts from changes in estimates of revenue and cost of revenue are recognized on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods base in the performance completed to date.

As of August 5, 2021, American Robotics had signed subscription agreements of varying contract lengths with customers in multiple industries including agriculture, oil and gas and materials management. Subscription revenue is recognized on straight line basis over the length of the customer subscription agreement. If a subscription payment is received prior to installation and operation of the Scout System, it is held in deferred revenue and recognized after operation commences over the length of the subscription service. American Robotics also provides customized data solutions for certain customers and receives development revenue for those services.

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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, 2022, 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, 2022 and 2021, 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, 2022 and 2021, there were no modifications to contract specifications.

Product revenue is comprised of sales of the Ondas Networks' software defined base station and remote radios, its network management and monitoring system, and accessories. Ondas Networks' 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 provides 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.

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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 Ondas Networks' wireless communications products including wireless network design, systems engineering, radio frequency planning, software configuration, product training, installation, and onsite support. The extended warranty Ondas Networks sells 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. The Company allocates the transaction price to the service and extended warranty based on the stand-alone selling prices of these performance obligations, which are stated in our contracts. Revenue for the extended warranty is recognized over time.

Development revenue is comprised primarily of non-recurring engineering service contracts to develop software and hardware applications for various customers. For Ondas Networks, a significant portion of this revenue is generated through four contracts with two customers whereby Ondas Networks is to develop such applications to interoperate within the customers' infrastructure. For these contracts, Ondas Networks 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 Ondas Networks and customer technology. Development revenue is recognized as services are provided over the life of the contract as Ondas Networks 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.

Ondas Networks' payment terms vary and range from Net 15 to Net 30 days from the date of the invoices for product and services related revenue. Ondas Networks' payment terms for the majority of their 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.

American Robotics generates revenue by selling a data subscription service to its customers based on the information collected by the Scout System. The customer pays for a monthly, annual, or multi-annual subscription service to access the data collected by the Scout System. The customer accesses its data remotely through ScoutView™, AR's secure web portal for displaying, analyzing, and storing customer information and captured image data. American Robotics also generates development revenue from customers who are interested in customized solutions.

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,	
	2022	2021
Product revenue	\$ 149,270	\$ 17,600
Service revenue	60,117	8,210
Development revenue	200,811	1,138,140
Other revenue	-	814
Total revenue	\$ 410,198	\$ 1,164,764

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	Three Months Ended March 31,	
	2022	2021
Timing of Revenue		
Revenue recognized point in time	\$ 149,270	\$ 18,414
Revenue recognized over time	260,928	1,146,350
Total revenue	<u>\$ 410,198</u>	<u>\$ 1,164,764</u>

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. We did not have any contract assets recorded at March 31, 2022 and December 31, 2021.

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, 2022, and the year ended December 31, 2021, which is included in accrued expenses and other current liabilities in the Company's unaudited condensed consolidated balance sheet.

	Three Months Ended March 31, 2022	Year Ended December 31, 2021
	Balance at beginning of period	\$ 512,397
Additions, net	90,000	2,238,137
Transfer to revenue	(260,928)	(1,890,775)
Balance at end of period	<u>\$ 341,469</u>	<u>\$ 512,397</u>

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, 2022 or December 31, 2021 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, 2022, the Company's operating leases consisted of office space in Sunnyvale, CA (the "Gibraltar Lease"), Marlborough, MA (the "American Robotics Lease"), and Waltham, MA (the "Waltham Lease").

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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, with a security deposit in the amount of \$90,000.

On August 5, 2021, the Company acquired American Robotics and the American Robotics Lease, wherein the base rate is \$15,469 per month, with an annual increase of 3% through January 2024, with a security deposit of \$24,166. On August 19, 2021, American Robotics amended their lease to reduce their space to approximately 10,450 square feet. The amendment reduced their annual base rent to \$8,802 per month, with an annual increase of 3% through January 2024.

On October 8, 2021, American Robotics entered into an 86-month operating lease for space in Waltham, Massachusetts. The Waltham Lease has commenced on March 1, 2022, and is scheduled to terminate on April 30, 2029, wherein the base rate is \$39,375 per month, increasing 3% annually, with a security deposit due in the amount of \$104,040. These facilities also serve as Ondas’ corporate headquarters.

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 Positions as of March 31, 2022 and December 31, 2021

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

	March 31, 2022	December 31, 2021
Assets:		
Operating lease assets	\$ 3,635,416	\$ 836,025
Total lease assets	<u>\$ 3,635,416</u>	<u>\$ 836,025</u>
Liabilities:		
Operating lease liabilities, current	\$ 861,978	\$ 550,525
Operating lease liabilities, net of current	<u>2,732,980</u>	<u>241,677</u>
Total lease liabilities	<u>\$ 3,594,958</u>	<u>\$ 792,202</u>

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Other Information

	Three Months Ended March 31,	
	2022	2021
Operating cash flows for operating leases	\$ 160,500	\$ 85,730
Weighted average remaining lease term (in years) – operating lease	6.03	-
Weighted average discount rate – operating lease	6.4%	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 we have net losses for each period presented.

The following potentially dilutive securities for the three months ended March 31, 2022 and 2021 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,	
	2022	2021
Warrants to purchase common stock	3,258,961	593,006
Options to purchase common stock	1,514,941	1,701,639
Restricted stock purchase offers	1,391,150	640,805
Total potentially dilutive securities	<u>6,165,052</u>	<u>2,935,450</u>

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, 2022 and 2021, respectively:

Customer	Three Months Ended March 31,	
	2022	2021
A	84%	81%
B	below 10%	18%

Customer A accounted for 52% of the Company’s accounts receivable balance at March 31, 2022.

Recently Adopted 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 was permitted, including adoption in an interim period. The adoption of this pronouncement had no impact on our accompanying consolidated financial statements.

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Recently Issued Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires contract assets and contract liabilities (i.e., deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers, as if it had originated the contracts. The new guidance creates an exception to the general recognition and measurement principles of ASC 805, Business Combinations. The new guidance should be applied prospectively and is effective for all public business entities for fiscal years beginning after December 15, 2022 and include interim periods. The guidance is effective for all other entities for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the effects of the adoption of ASU No. 2021-08 on its 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, 2022	December 31, 2021
Prepaid insurance	\$ 806,811	\$ 1,026,212
Other prepaid expenses	1,070,946	423,398
Total other current assets	<u>\$ 1,877,757</u>	<u>\$ 1,449,610</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	March 31, 2022	December 31, 2021
Vehicles	\$ 149,916	\$ 149,916
Computer equipment	216,124	183,869
Furniture and fixtures	141,053	141,053
Software	115,282	88,284
Leasehold improvements	37,401	37,401
Development equipment	56,274	56,275
Base stations	176,775	117,850
Drones	73,292	54,969
Construction in progress	2,043,755	627,044
	<u>3,009,872</u>	<u>1,456,661</u>
Less: accumulated depreciation	(464,295)	(424,662)
Total property and equipment	<u>\$ 2,545,577</u>	<u>\$ 1,031,999</u>

Depreciation expense for the three months ended March 31, 2022 and 2021 was \$39,634 and \$25,142, respectively.

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NOTE 5 – GOODWILL AND BUSINESS ACQUISITION

We account for acquisitions in accordance with FASB ASC 805, “Business Combinations” (“ASC 805”), and goodwill in accordance with ASC 350, “Intangibles — Goodwill and Other” (“ASC 350”). The excess of the purchase price over the estimated fair value of net assets acquired in a business combination is recorded as goodwill. On May 17, 2021, the Company entered into an Agreement and Plan of Merger (the “AR 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”), American Robotics, and Reese Mozer, solely in his capacity as the representative of American Robotics’ Stockholders (as defined in the AR Agreement).

On August 5, 2021 (the “Closing Date”), the Company’s stockholders approved the issuance of shares of the Company’s common stock, including shares of common stock underlying Warrants (as defined below), in connection with the acquisition of American Robotics.

On the Closing Date, American Robotics merged with and into Merger Sub I (“Merger I”), with American Robotics continuing as the surviving entity, and American Robotics then subsequently and immediately merged 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. Simultaneously with Merger II, Merger Sub II was renamed American Robotics, Inc.

Pursuant to the AR Agreement, American Robotics stockholders and certain service providers received (i) cash consideration in an amount equal to \$7,500,000, less certain indebtedness, transaction expenses and other expense amounts as described in the AR Agreement; (ii) 6,750,000 shares of the Company’s common stock (inclusive of 26 fractional shares paid in cash as set forth in the AR Agreement); (iii) warrants exercisable for 1,875,000 shares of the Company’s common stock (the “Warrants”) (inclusive of 24 fractional shares paid in cash and the equivalent of Warrants for 309,320 shares representing the value of options exercisable for 211,038 shares issued under the Company’s incentive stock plan and reducing the aggregate amount of Warrants as set forth in the AR Agreement); and (iv) the cash release from the PPP Loan Escrow Amount (as defined in the AR Agreement). Each of the Warrants entitle the holder to purchase a number of shares of the Company’s common stock at an exercise price of \$7.89. Each of the Warrants shall be exercisable in three equal annual instalments commencing on the one-year anniversary of the Closing Date and shall have a term of ten years. 59,544 of the stock options were issued fully vested to employees who did not exercise their American Robotics options prior to the Closing Date and had no ongoing service requirements and therefore they were included in the purchase consideration. The remaining 151,494 stock options issued vest over four years and are contingent on ongoing employment by the employee and are recorded as compensation expense over the service period.

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Also on the Closing Date, the Company entered into employment agreements and issued 1,375,000 restricted stock units (“RSUs”) under the Company’s incentive stock plan to key members of American Robotics’ management. These RSUs vest in equal installments on the next three anniversaries of the Closing Date and vesting is contingent on the individuals remaining employed by the Company. These RSUs are not included in purchase consideration and are expensed ratably over the service period. They were valued at the closing market price on the Closing Date. The compensation expense recognized in the three-month period ended March 31, 2022 in respect of these restricted stock units was \$872,734, and as of March 31, 2022 the unrecognized compensation expense was \$8,372,381.

Lock-Up and Registration Rights Agreement

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 of American Robotics agreed, subject to certain customary exceptions, not to sell, transfer or dispose of an aggregate of 2,583,826 shares of Company common stock for a period of 180 days from the closing of the Mergers. In connection with the Mergers, the stockholders of American Robotics entered into a Joinder to Lock-Up and Registration Rights Agreement.

The following table summarizes the consideration paid for American Robotics and the final allocation of the purchase consideration to the estimated fair value of the assets acquired and liabilities assumed at the acquisition date.

Consideration:

Fair value of total consideration transferred	<u>\$ 69,311,577</u>
Fair value of assets acquired:	
Cash	\$ 920,011
Other current assets	148,043
Property and equipment	61,430
Intangible assets	26,180,000
Right of use asset	463,252
Other long-term assets	<u>87,217</u>
Total assets acquired	27,859,953
Fair value of liabilities assumed:	
Accounts payable	129,541
Deferred revenue	32,992
Accrued payroll and rent	42,617
Lease liabilities	447,827
Deferred tax liability	<u>2,921,982</u>
Total liabilities assumed	<u>3,574,959</u>
Total net assets acquired	24,284,994
Goodwill	45,026,583
Total	<u>\$ 69,311,577</u>

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Our results for the three months ended March 31, 2022 include results from American Robotics. The following unaudited pro forma information presents the Company's results of operations as if the acquisition of American Robotics had occurred on January 1, 2021. The pro forma results do not purport to represent what the Company's results of operations actually would have been if the transactions had occurred on January 1, 2021 or what the Company's operating results will be in future periods.

	(Unaudited)	
	Three months ended	
	March 31,	
	<u>2022</u>	<u>2021</u>
Revenue, net	\$ 410,198	\$ 1,214,764
Net loss	\$ (10,010,399)	\$ (5,458,620)
Basic Earnings Per Share	\$ (0.24)	\$ (0.15)
Diluted Earnings Per Share	\$ (0.24)	\$ (0.15)

The intangible assets acquired include the trademarks, FAA waiver, developed technology, non-compete agreements, and customer relationships (see Note 6). The deferred tax liability represents the tax effected timing differences relating to the acquired intangible assets to the extent they are not offset by acquired deferred tax assets.

The goodwill represents the assembled workforce, acquired capabilities, and future economic benefits resulting from the acquisition. No portion of the goodwill is deductible for tax purposes.

NOTE 6 – INTANGIBLE ASSETS

The components of intangible assets, all of which are finite lived, were as follows:

	March 31, 2022			December 31, 2021			Useful Life
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Patents	\$ 77,772	\$ (17,356)	\$ 60,416	\$ 75,266	\$ (13,077)	\$ 62,189	10
Patents in process	96,345	-	96,344	89,767	-	89,767	N/A
Licenses	241,909	(47,520)	194,389	241,909	(41,471)	200,438	10
Trademarks	3,230,000	(210,992)	3,019,008	3,230,000	(130,242)	3,099,758	10
FAA waiver	5,930,000	(387,363)	5,542,637	5,930,000	(239,113)	5,690,887	10
Developed technology	16,120,000	(1,053,000)	15,067,000	16,120,000	(650,000)	15,470,000	10
Non-compete agreements	840,000	(548,710)	291,290	840,000	(338,710)	501,290	1
Customer relationships	60,000	(7,839)	52,161	60,000	(4,839)	55,161	5
	<u>\$ 26,596,026</u>	<u>\$ (2,272,780)</u>	<u>\$ 24,323,246</u>	<u>\$ 26,586,942</u>	<u>\$ (1,417,452)</u>	<u>\$ 25,169,489</u>	

Amortization expense for the three months ended March 31, 2022 and 2021 was \$855,326 and \$12,750, respectively.

We recognized no losses on intellectual property for the three months ended March 31, 2022 and 2021, respectively.

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Estimated amortization expense for the next five years for the intangible assets currently being amortized is as follows:

Year Ending December 31,	Estimated Amortization
2022 (9 months)	\$ 1,372,244
2023	\$ 2,571,280
2024	\$ 2,571,003
2025	\$ 2,571,003
2026	\$ 2,566,164
Thereafter	\$ 12,575,208
Total	\$ 24,226,902

NOTE 7 – LONG-TERM EQUITY INVESTMENT

On October 5, 2021, Ondas Holdings irrevocably subscribed and agreed to purchase 3,141,098 shares of Series A-1 Preferred Stock of Dynam.AI, Inc. (“Dynam”), a tech-enabled services provider for critical or complex artificial intelligence and machine learning projects, par value \$0.00001 for the aggregate price of \$500,000 representing subscription price of \$0.15918 per share by way of a non-brokered private placement for approximately 11% ownership in Dynam. In addition to the equity investment, Ondas Holdings’ wholly owned subsidiary, American Robotics, Inc., entered into a development, services and marketing agreement with Dynam.AI on October 1, 2021. The agreement allows American Robotics to expand and enhance its IP library and analytics capabilities with artificial intelligence using physics-based algorithms and allows Dynam to further the development of Vizlab™, Dynam’s proprietary AI/ML platform, an advanced developer toolkit for data scientists.

This long-term equity investment consists of an equity investment in a private company through preferred shares, which are not considered in-substance common stock, that is accounted for at cost, with adjustments for observable changes in prices or impairments, and is classified as long-term equity investment on our consolidated balance sheets with adjustments recognized in other (expense) income, net on our consolidated statements of operations. The Company has determined that the equity investment does not have a readily determinable fair value and elected the measurement alternative. Therefore, the equity investment’s carrying amount will be adjusted to fair value at the time of the next observable price change for the identical or similar investment of the same issuer or when an impairment is recognized. Each reporting period, the Company performs a qualitative assessment to evaluate whether the investment is impaired. The assessment includes a review of recent operating results and trends, recent sales/acquisitions of the investee securities, and other publicly available data. If the investment is impaired, the Company writes it down to its estimated fair value. As of March 31, 2022 and December 31, 2021 the long-term equity investment had a carrying value of \$500,000.

Our CEO Eric Brock is a director of Dynam.

NOTE 8 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	March 31, 2022	December 31, 2021
Accrued payroll and other benefits	\$ 736,327	\$ 269,725
D&O insurance financing payable	527,453	719,313
Accrued professional fees	374,867	117,008
Other accrued expenses	103,820	43,861
Total accrued expenses and other current liabilities	\$ 1,742,467	\$ 1,149,907

NOTE 9 – 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 bore 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 included payments of \$25,000 in loan commitment fees and \$100,000, one percent (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 was 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 was secured by substantially all of the assets of the Company.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 bore 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 was required to pay a \$50,000 loan facility charge.

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 were 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 was deemed immaterial, the Company continued 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 were 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 was deemed immaterial, the Company continued to amortize the deferred loan costs using the straight-line method over the remaining term of the Loan.

The Agreement also contained 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 included, but was 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 stated that in the event of a material adverse effect, an event of default would occur, and the lender had the option to accelerate and demand payment of all or any part of the loan. A material adverse effect was 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.

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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 were to 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 were 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 April 14, 2021, the Company requested Steward Capital’s waiver of Section 7 (Covenants of Borrower), in connection with the acquisition of American Robotics, Inc (“American Robotics”). 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 would amend the Agreement to modify the defined term “collateral” to include the intellectual property of American Robotics; however, the Company made a final payment to Steward Capital before closing of the acquisition.

On June 25, 2021, the Company made a final payment of \$7,044,750 to Steward Capital, applying \$6,574,278 to principal, \$404,729 in interest and other fees, and \$65,743 in early payment penalties. The agreement was terminated on July 1, 2021.

NOTE 10 – 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.

The Company may at any time on or after a qualified public offering convert any unpaid repayment at the IPO conversion price. The conversion price is the lesser of the (i) price per share of Common Stock sold in the Qualified Public Offering, discounted by 20%, and (ii) the price per share of Common Stock based on a pre-money Company valuation of \$50 million on a Fully Diluted Basis.

On both March 31, 2022 and December 31, 2021, the total outstanding balance of the Convertible Promissory Note was \$300,000. The maturity date of the Convertible Promissory Note is based on the payment of 0.6% of quarterly gross revenue until 1.5 times the amount of the Convertible Promissory Note is paid. Accrued interest on March 31, 2022 and December 31, 2021 was \$39,899 and \$40,152, respectively. Interest expense for the three months ended March 31, 2022 and 2021 was \$3,750.

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 bore interest at a fixed rate of 1.00% per annum. Monthly principal and interest payments, less the amount of any potential forgiveness (discussed below), were to 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 provided for customary events of default, including those relating to failure to make payment, bankruptcy, breaches of representations and material adverse effects. The Company could prepay the principal of the PPP Loan at any time without incurring any prepayment charges.

All or a portion of the PPP Loan could 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 would have 90 days to review borrower’s forgiveness application and the SBA had an additional 60 days to review the Lender’s decision as to whether the borrower’s loan could be forgiven. Under the CARES Act, loan forgiveness was 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 excluded compensation of an individual employee earning more than \$100,000, prorated annually. Not more than 40% of the forgiven amount could be for non-payroll costs. Forgiveness was reduced if full-time headcount declines, or if salaries and wages for employees with salaries of \$100,000 or less annually were reduced by more than 25%. On May 4, 2021, the Company submitted an application to the lender with supporting detail requesting forgiveness of the loan. On May 26, 2021, the Company received full forgiveness for both the principal and accrued interest, which was included in other income on the Company’s accompanying consolidated statements of operations.

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NOTE 11 – STOCKHOLDERS' EQUITY

Common Stock

On March 31, 2022 the Company had 116,666,667 shares of common stock, par value \$0.0001 (the "Common Stock"), authorized for issuance, of which 40,990,604 shares of our Common Stock were issued and outstanding.

Preferred Stock

At March 31, 2022 and December 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, 2022 and December 31, 2021, the Company had no preferred stock outstanding.

The Company evaluated its Series A Preferred to determine if those instruments or embedded components of those instruments qualify as derivatives to be accounted for separately. The Preferred Shares include an embedded contingent automatic conversion option which is bifurcated from the Preferred Shares and recorded separately as a derivative liability, creating a discount to the Preferred Shares. The fair value of the embedded derivative is recorded as a liability and marked-to-market each balance sheet date, with the change in fair value recorded as other income (expense) in the Company's accompanying consolidated statement of operations. The discount arising from the identification of the embedded conversion feature will not be accreted or amortized as the Series A Preferred has been classified in equity.

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.

2021 Public Offering

On June 8, 2021, the Company entered into an underwriting agreement (the "2021 Underwriting Agreement") with Oppenheimer & Co. Inc., acting as the representative for the underwriters identified therein (the "Underwriters"), relating to the Company's public offering (the "2021 Public Offering") of 6,400,000 shares (the "2021 Firm Shares") of the Company's Common Stock. Pursuant to the 2021 Underwriting Agreement, the Company also granted the Underwriters a 30-day option to purchase up to an additional 960,000 shares of Common Stock (the "2021 Option Shares," and together with the 2021 Firm Shares, the "2021 Shares") to cover over-allotments.

The Underwriters agreed to purchase the 2021 Firm Shares from the Company with the option to purchase the 2021 Option Shares at a price of \$6.51 per share. The 2021 Shares were offered, issued, and sold pursuant to the Form S-3 and accompanying prospectus filed with the SEC under the Securities Act.

On June 11, 2021, pursuant to the 2021 Public Offering, the Company issued 7,360,000 shares of Common Stock (2021 Firm Shares and 2021 Option Shares) at a public price of \$7.00 for net proceeds to the Company of \$47,523,569 after deducting the underwriting discount and offering fees and expenses payable by the Company.

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The Underwriting Agreement included customary representations, warranties, and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and the Underwriters, including for liabilities under the Securities Act, other obligations of the parties and termination provisions. The representations, warranties and covenants contained in the 2021 Underwriting Agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to the agreement and were subject to limitations agreed upon by the contracting parties.

The table below details the net proceeds of the 2021 Public Offering.

Gross Proceeds:	
Initial Closing	\$ 44,800,000
Over-allotment Closing	6,720,000
	<u>51,520,000</u>
Offering Costs:	
Underwriting discounts and commissions	(3,806,400)
Other offering costs	(190,031)
Net Proceeds	<u>\$ 47,523,569</u>

The Company will use the net proceeds of the 2021 Public Offering for working capital and general corporate purposes, which includes further technology development, increased spending on marketing and advertising and capital expenditures necessary to grow the Ondas Holdings business.

ATM Offering

On March 22, 2022, the Company, entered into an Equity Distribution Agreement (the “ATM Agreement”) with Oppenheimer & Co. Inc. (the “Sales Agent”). Pursuant to the terms of the ATM Agreement, the Company may offer and sell (the “ATM Offering”) from time to time through the Sales Agent, as the Company’s sales agent, up to \$50 million of shares of the Company’s common stock, par value \$0.0001 per share (the “ATM Shares”). Sales of the ATM Shares, if any, may be made in sales deemed to be “at the market offerings” as defined in Rule 415 promulgated under the Securities Act. The Sales Agent is not required to sell any specific number or dollar amount of ATM Shares, but will act as a sales agent using commercially reasonable efforts consistent with its normal trading and sales practices and applicable state and federal laws, rules, and regulations and the rules of the Nasdaq Stock Market, on mutually agreed terms between the Sales Agent and the Company. The Sales Agent will receive from the Company a commission of 3.0% of the gross proceeds from the sales of ATM Shares by the Sales Agent pursuant to the terms of the Agreement. Net proceeds from the sale of the ATM Shares will be used for general corporate purposes.

The offering of ATM Shares pursuant to the ATM Agreement will terminate upon the earliest of (i) the sale of all ATM Shares subject to the ATM Agreement, and (ii) the termination of the ATM Agreement pursuant to its terms.

The ATM Shares are issued pursuant to the Company’s shelf registration statement (the “Registration Statement”) on Form S-3 (File No. 333-252571) filed on January 29, 2021, which became effective on February 5, 2021, and the prospectus supplement thereto dated March 22, 2022.

In April 2022 the Company sold 343,045 ATM Shares through the Sales Agent at an average price of \$7.72 with the net proceeds of \$2.5 million. In connection with the sale of these ATM Shares, the compensation paid by the Company to the Sales Agent was \$77,421.

Warrants to Purchase Common Stock

We use the Black-Scholes-Merton option model (the “Black-Scholes Model”) to determine the fair value of warrants to purchase Common Stock of the Company. The Black-Scholes Model is an acceptable model in accordance with U.S 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.

As of March 31, 2022, we had warrants outstanding to purchase an aggregate of 3,305,854 shares of Common Stock with a weighted-average contractual remaining life of approximately 5 years, and a weighted average exercise price of \$8.53 per share. No new warrants were issued, exercised, or expired in the three months ended March 31, 2022.

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Equity Incentive Plan

In 2018, 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 (the “Committee”). Subject to the provisions of the 2018 Plan, the Board and/or the 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”).

At the 2021 Annual Meeting of Stockholders of the Company held on November 5, 2021, stockholders of the Company approved, among other matters, the Ondas Holdings Inc. 2021 Stock Incentive Plan (the “Plan”). The Compensation Committee of the Board of the Company adopted the Plan on September 30, 2021, subject to stockholder approval. The purpose of the Plan is to enable the Company to attract, retain, reward, and motivate eligible individuals by providing them with an opportunity to acquire or increase a proprietary interest in the Company and to incentivize them to expend maximum efforts for the growth and success of the Company, so as to strengthen the mutuality of the interests between the eligible individuals and the shareholders of the Company. The Plan provides for the issuance of awards including stock options, stock appreciation rights, restricted stock, restricted stock units, and performance awards. The Plan provides for a reserve of 6,000,000 shares of the Company’s common stock.

Stock Options to Purchase Common Stock

On March 18, 2022, the Compensation Committee of the Board granted an aggregate of 135,000 stock options to purchase shares of the Company’s Common Stock to certain employees. The stock options vest over a four-year period and are contingent on ongoing employment. They are included in compensation expense.

On March 18, 2022, the Compensation Committee of the Board granted an aggregate of 65,000 stock options to purchase shares of the Company’s Common Stock to certain non-employees. The stock options vest on December 31, 2022. They are included in compensation expense.

On March 18, 2022, the Compensation Committee of the Board granted an aggregate of 210,000 performance-based stock options to purchase shares of the Company’s Common Stock to two non-employees that are subject to the attainment of pre-established performance conditions in the year ending December 31, 2022. The actual number of shares subject to the award is determined at the end of the performance period and may range from zero to 100% of the target shares granted depending upon the terms of the award. Compensation expense related to these awards is recognized when the performance conditions are satisfied.

On February 7, 2022, the Compensation Committee of the Board granted an aggregate of 1,248,000 stock options to purchase shares of the Company’s Common Stock to certain employees. The stock options vest over a two-year period and are contingent on ongoing employment. They are included in compensation expense.

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

	Three months ended, March 31, 2022
Stock price	\$ 4.99-6.55
Risk-free interest rate	1.82-2.16%
Volatility	46.42-56.81%
Expected life in years	2.9-6.3
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, 2021	687,448	\$ 6.79	8.2
Granted	1,658,000	\$ 5.12	5.3
Expired	(3,015)	-	-
Terminated	-	-	-
Canceled	-	-	-
Balance on March 31, 2022	2,342,433	\$ 5.62	6.1
Vested and Exercisable at March 31, 2022	558,046	\$ 7.88	7.7

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At March 31, 2022, total unrecognized estimated compensation expense related to non-vested options issued prior to that date was approximately \$4,672,000, which is expected to be recognized over a weighted-average period of 5.29 years. For the three months ended March 31, 2022 and 2021, \$332,642 and \$97,162, respectively, was recorded in stock-based compensation in the accompanying unaudited condensed consolidated financial statements.

Restricted Stock Units

On March 22, 2022, the Compensation Committee approved the grant of 14,800 restricted stock units to an employee. The restricted stock units vest in four successive equal annual installments with the first vesting date commencing on the first anniversary of the award date and are contingent on continuing employment. The compensation expense recognized in the three months ended March 31, 2022 in respect of these restricted stock units was \$656, and as of March 31, 2022 the unrecognized compensation expense was \$105,756.

On November 5, 2021, the Compensation Committee approved the grants of 6,362 restricted stock units for each of Ondas' directors (Messrs. Cohen, Reisfield, Silverman, Seidl, Bushey and Sood). Each restricted stock unit represents a contingent right to receive one share of common stock of the Company. These restricted stock units 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 compensation expense recognized in the three months ended March 31, 2022 in respect of these restricted stock units was \$90,563, and as of March 31, 2022 the unrecognized compensation expense was \$271,689.

On August 5, 2021, the Company entered into employment agreements and awarded 1,375,000 restricted stock units pursuant to the 2018 Plan to key members of American Robotics' management. Each restricted stock unit represents a contingent right to receive one share of common stock of the Company. The restricted stock units vest in three successive equal annual installments with the first vesting date commencing on the first anniversary of the award date and are contingent on continuing employment. The compensation expense recognized in the three months ended March 31, 2022 in respect of these restricted stock units was \$872,734, and as of March 31, 2022 the unrecognized compensation expense was \$8,372,381.

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 \$31,800 for the three months ended March 31, 2022. As of March 31, 2022, the unrecognized compensation expense was \$95,400.

The Company recognizes restricted stock unit expense over the period of vesting or period that services will be provided. 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.

The following is a summary of restricted stock unit activity for the three months ended March 31, 2022:

	Shares	Weighted Average Grant Date Fair Value
Unvested balance on December 31, 2021	1,385,000	\$ 7.82
Granted	14,800	\$ 7.19
Vested	(2,500)	12.72
Unvested balance on March 31, 2022	1,397,300	\$ 7.80

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NOTE 12 – 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, 2022.

NOTE 13 – SEGMENT INFORMATION

Operating segments are defined as components of an entity for which discrete financial information is available and is regularly reviewed by the CODM in making decisions regarding resource allocation and performance assessment. The Company's CODM is its Chief Executive Officer. The Company determined it has two reportable segments: Ondas Networks and American Robotics as the CODM reviews financial information for these two businesses separately. The Company has no inter-segment sales. Our segment structure presented below represents a change from the prior year for the inclusion of our American Robotics segment, which the Company acquired on August 5, 2021. The following table presents segment information for three months ended March 31, 2022:

	Three Months Ended March 31, 2022		
	Ondas Networks	American Robotics	Total
Revenue, net	\$ 350,081	\$ 60,117	\$ 410,198
Depreciation and amortization	32,001	862,959	894,960
Interest expense	14,674	-	14,674
Stock based compensation	302,003	1,026,392	1,328,395
Net loss	(3,291,847)	(6,718,552)	(10,010,399)
Goodwill		45,026,583	45,026,583
Total assets	34,974,289	76,993,230	111,967,519

NOTE 14 – INCOME TAXES

The Company had a net deferred tax asset of \$14,528,920 as of December 31, 2021, including a tax benefit from net operating loss carry-forwards of \$17,577,952. A valuation allowance of \$14,528,920 was provided against this asset resulting in deferred assets, net of valuation allowance of \$0.

In assessing the realizability of deferred tax assets, including the net operating loss carry forwards, the Company assesses the positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize its existing deferred tax assets. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period when those temporary differences become deductible. Based on its assessment, the Company has provided a full valuation allowance against its deferred tax assets since their future utilization remains uncertain at this time.

In accordance with Section 382 of the Internal Revenue Code, the usage of the Company's net operating loss carry forwards could be limited in the event a change of control has occurred. As of December 31, 2021, the Company completed an analysis and determined that there were multiple ownership changes. Provided sufficient taxable income is generated the annual base limitation plus increased limitation calculated pursuant to IRS Notice 2003-65 will allow the Company to utilize all existing losses within the carryover periods.

As of March 31, 2022 and December 31, 2021, management does not believe the Company has any material uncertain tax positions that would require it to measure and reflect the potential lack of sustainability of a position on audit in its financial statements. The Company will continue to evaluate its uncertain tax positions in future periods to determine if measurement and recognition in its financial statements is necessary. The Company does not believe there will be any material changes in its unrecognized tax positions over the next year.

ONDAS HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – RELATED PARTY TRANSACTIONS

Between June 2 and December 31, 2020, we accrued \$115,385 for salary owed to Thomas V. Bushey, then President of the Company. On January 19, 2021, Mr. Bushey waived the accrued payroll amounts in the amount of \$115,385. 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 \$9,846 as of the Effective Date. At the time of Mr. Bushey’s resignation as President in January 2021, Mr. Bushey had the right to receive 500,000 RSU Shares (375,000 vested as of December 31, 2020 and 125,000 of which the Compensation Committee accelerated vesting), which will be issued on June 3, 2022 pursuant to Mr. Bushey’s deferral election. The remaining 500,000 RSU Shares were canceled. 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 provided services to the Company at the direction of the Company’s Chief Executive Officer. The Consulting Agreement terminated on July 19, 2021. Mr. Bushey was paid \$7,500 per month for these services.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events as of May 15, 2022, the date the consolidated financial statements were available to be issued according to the requirements of ASC topic 855.

Ardenna Acquisition

On March 20, 2022, the Company entered into a Purchase Agreement to acquire the assets of Ardenna, Inc., a leading provider of image processing and machine learning software solutions for rail infrastructure monitoring and inspections. The consideration for the acquisition is \$900,000 in cash and 780,000 shares of the Company’s common stock (the “Ardenna Consideration Shares”). In connection with the acquisition, the parties have entered into a Registration Rights and Lock-Up Agreement, which requires the Company to file a resale registration statement covering the resale of the Ardenna Consideration Shares no later than ninety (90) days after the closing date and restricts the holder from transferring the Ardenna Consideration Shares for 180 days from the closing date, subject to certain exceptions.

On April 6, 2022, the Company completed the previously announced acquisition of the assets of Ardenna Inc., a leading provider of image processing and machine learning software solutions for rail infrastructure monitoring and inspections.

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. ("Ondas," "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, 2021, filed with the Securities and Exchange Commission (the "SEC") on March 22, 2022, including the audited consolidated financial statements and notes included therein as of and for the year ended December 31, 2021. 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

Ondas Holdings is a leading provider of private wireless, drone, and automated data solutions through its wholly owned subsidiaries Ondas Networks Inc. ("Ondas Networks") and American Robotics, Inc. ("American Robotics" or "AR"). Ondas Networks and American Robotics together provide users in rail, energy, mining, agriculture, and critical infrastructure markets with improved connectivity, and data collection capabilities and automated decision making to improve operations. Ondas operates these two subsidiaries as separate business segments, and the following is a discussion of each segment.

Ondas Networks Segment

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"). 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, homeland security 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 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, we have 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 our technology across a burgeoning ecosystem of global partners and end markets.

Our software-based FullMAX platform is an important and timely upgrade solution for privately-owned and operated wireless wide-area networks, leveraging Internet Protocol-based communications to provide more reliability and data capacity for our mission-critical infrastructure customers. We believe industrial and 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 (“Siemens”) for the development of new types of wireless connectivity for the global rail markets. 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 Mobility 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.

The Global Rail Markets and our Siemens Mobility 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. We believe 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 Federal Communication Commission (“FCC”) licensed radio frequencies, as well as the flexibility to adapt to and take advantage of future changes in spectrum availability. The Class 1 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 1 Rails, who were awarded greenfield spectrum in the 900 MHz band by the FCC in 2020.

Siemens Partnership, ATCS Development Program

In April 2020, we entered a strategic partnership with 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. At the same time, we entered into an agreement to allow Siemens to sell Ondas’ 802.16 MC-IoT standardized products to the North American Rails under the Siemens’ brand name “Airlink.” The dual-mode ATCS/MC-IoT radio system was designed to 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. Siemens formally launched the dual mode ATCS/MC-IoT radio products along with the Siemens branded Airlink radios in September 2021 at the Railway Systems Suppliers (RSSI) conference in Indianapolis. In November 2021, Siemens secured its first commercial 900 MHz rail order for a major Class I Railroad for delivery by year-end. Ondas delivered this initial order as requested in December 2021.

Multiple New Joint Development Programs

In January 2021, Ondas Networks and Siemens signed a Letter of Intent (“LOI”) for the development of a next generation radio product for the global rail markets including support for our first onboard locomotive radio. The formal agreement, referred to as the Next Generation Radio Board, was signed by the parties in July 2021 with a targeted completion date in first quarter 2022. Also in July 2021, Ondas Networks received a purchase order from Siemens Mobility for the development of a new industrial radio to support rail safety. This program was completed as requested by September 2021. In October 2021, Siemens substantially expanded the Next Generation Radio Board development program by issuing to Ondas Networks four new purchase orders which included customized hardware and software solutions for Head of Train (HOT) locomotive applications for the North American market and for a major Asian Rail customer. The expanded program reprioritized the July 2021 agreement deliverables with a second quarter of 2022 delivery of completed products to the Asian Rail customer.

802.16 (“dot16”) Rail Lab

In December 2021, we received an order from Siemens for the implementation of the “dot16” North American Rail Lab (“Rail Lab”). The Rail Lab, hosted at Ondas Networks headquarters facility in Sunnyvale, CA, serves multiple purposes including interoperability and coexistence testing of 802.16 compliant wireless systems, customization and optimization of different network rail configurations, and next generation rail application testing. Importantly, the lab is focused on multiple frequency bands and networks beyond the 900 MHz that Ondas is targeting for commercial deployment.

To summarize, since announcing our strategic partnership in April 2020, Ondas and Siemens have completed our first major joint development program for ATCS/MC-IoT 900 MHz radios for the North American market and have secured and delivered on initial orders of these products to a Class I railroad. In July 2021, we entered into our second major joint development program for a global onboard locomotive radio and this program was significantly expanded in October 2021 to incorporate specific locomotive protocols with initial delivery of completed products in the second quarter of 2022. In September 2021, Siemens launched their Siemens-branded MC-IoT wireless systems under brand name ‘Airlink.’ In December 2021, Siemens together with Ondas secured the Rail Lab order from the North American railroads which will allow the companies to support the deployment of multiple North American rail communications networks based on the 802.16 standard.

Ondas believes the Siemens strategic partnership validates our wireless connectivity solutions and will serve as the foundation for the continued adoption of our wireless technology in the global rail markets.

UAS, Drones and AURA Network Systems

In December 2019, Ondas Networks 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 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 Federal Aviation Administration (“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 Unmanned Ariel Systems (“UAS”)/Drone operation. Based on this approval and other advances in the network, AURA placed a new purchase order in the first quarter of 2021 for continued system development related to the optimization of FullMAX base station and remote radio equipment for customer testing and demonstration networks. We have completed this project as of December 2021.

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 (“Rogue”) 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.

American Robotics Segment

American Robotics designs, develops and manufactures autonomous drone systems, providing high-fidelity, ultra-high-resolution aerial data to enterprise customers. We provide our customers turnkey data solutions designed to meet their unique requirements in the field. We do this via our internally developed Scout System™, an industrial drone platform which provides commercial and government customers with the ability to continuously digitize, analyze, and monitor their assets and field operations in near real-time.

The Scout System™ has been designed from the ground up as an end-to-end product capable of continuous unattended operations in the real world. Powered by innovations in robotics automation, machine vision, edge computing, and AI, the Scout System™ provides efficiencies as a drone solution for commercial use. Once installed in the field at customer locations, a fleet of connected Scout Systems remain indefinitely in an area of operation, automatically collecting data each day, self-charging, and seamlessly delivering data analysis regularly and reliably. AR markets the Scout System™ under a Robot-as-a-Service (“RaaS”) business model, whereby our drone platform aggregates customer data and provides the data analytics meeting customer requirements in return for an annual subscription fee.

The Scout System™ consists of (i) Scout™, a highly automated, AI-powered drone with advanced imaging payloads (ii) the ScoutBase™, a ruggedized weatherproof base station for housing, charging, data processing, and cloud transfer, and (iii) ScoutView™, a secure web portal and API which enables remote interaction with the system, data, and resulting analytics anywhere in the world. These major subsystems are connected via a host of supporting technologies. Using a suite of proprietary technologies, including Detect-and-Avoid (“DAA”) and other proprietary intelligent safety systems, we achieved the first and only FAA approval for automated operations without a human on-site in the United States on January 15, 2021. As a result, American Robotics currently has the unique ability to serve markets which require automated drone technology to enable scalable drone operations, which the Company estimates to be 90% of all commercial drone applications.

American Robotics sells its products and services nationally through a direct sales force to large enterprises that operate in the agriculture, industrial and critical infrastructure verticals that include major rail operators, electric and gas utilities, oil and gas producers, large agricultural input manufacturers, large agricultural coops, and for other critical infrastructure applications in areas such as homeland security and defense, and transportation.

As of March 31, 2022, American Robotics had signed subscription agreements of varying contract lengths with customers in multiple industries including agriculture, oil and gas and materials management.

COVID-19

In December 2019, a novel strain of coronavirus (“COVID-19”) was identified 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, 2022 and 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; and
- manufacturing and sales were disrupted due to ongoing supply chain constraints for certain critical parts.

The Company expects its business, financial condition and results of operations will be impacted from the COVID-19 pandemic during 2022, primarily due to the slowdown of customer activity during 2020 and 2021, ongoing supply chain constraints for certain critical parts, and difficulties in attracting employees. 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 COVID-19 and its variants. 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 conditions, 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 could further adversely impact the Company’s business, financial condition and results of operations during 2022.

Recent Developments

Ardenna Acquisition

As described above, on March 20, 2022, the Company entered into a Purchase Agreement to acquire the assets of Ardenna, Inc. The consideration for the acquisition is \$900,000 in cash and 780,000 shares of the Company's common stock. On April 6, 2022, the Company completed the previously announced acquisition of the assets of Ardenna Inc., a leading provider of image processing and machine learning software solutions for rail infrastructure monitoring and inspections.

Results of Operations

Three months ended March 31, 2022 compared to three months ended March 31, 2021

	Three Months Ended March 31,		
	2022	2021	Increase (Decrease)
Revenue, net	\$ 410,198	\$ 1,164,764	\$ (754,566)
Cost of goods sold	287,932	555,350	(267,418)
Gross profit	122,266	609,414	(487,148)
Operating expenses:			-
General and administrative	5,524,717	2,408,854	3,115,863
Sales and marketing	681,663	187,372	494,291
Research and development	3,907,219	894,576	3,012,643
Total operating expense	10,113,599	3,490,802	6,622,797
Operating loss	(9,991,333)	(2,881,388)	(7,109,945)
Other income (expense)	(19,066)	(256,731)	237,665
Net loss	(10,010,399)	(3,138,119)	(6,872,280)

Revenues

	Three Months Ended March 31,		
	2022	2021	Increase (Decrease)
Revenue, net			
Ondas Networks	350,081	1,164,764	(814,683)
American Robotics	60,117	-	60,117
Total	410,198	1,164,764	(754,566)

Our revenues decreased by \$754,566 to \$410,198 for the three months ended March 31, 2022 compared to \$1,164,764 for the three months ended March 31, 2021. Revenues during the three months ended March 31, 2022 included \$149,270 for products, \$60,117 for maintenance, service, support, and subscriptions, and \$200,811 for development agreements with Siemens and AURA. 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 and AURA. The decrease in our development revenues were the result of substantial completion of our development contracts in 2021.

Cost of goods sold

Our cost of goods sold was \$287,932 for the three months ended March 31, 2022 compared to \$555,350 for the three months ended March 31, 2021. The decrease in cost of goods sold was primarily a result of a decline in costs related to the development agreements.

Gross profit

Our gross profit decreased by \$487,148 for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 based on the changes in revenues and costs of goods sold as discussed above. Gross margin for the three months ended March 31, 2022 and 2021 was 30% and 52%, respectively. This decrease in gross margin is a direct result of a decline in the development revenues.

Operating Expenses

	Three Months Ended March 31,		
	2022	2021	Increase (Decrease)
Operating expenses:			
General and administrative	5,524,717	2,408,854	3,115,863
Sales and marketing	681,663	187,372	494,291
Research and development	3,907,219	894,576	3,012,643
Total	10,113,599	3,490,802	6,622,797

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

	Three Months Ended March 31,	
	2022	2021
Human resource costs, including benefits	42.9%	44.0%
Travel and entertainment	2.0%	0.1%
Other general and administration costs:		
Professional fees and consulting expenses	14.7%	35.6%
Other expense	15.7%	15.2%
Depreciation and amortization	8.7%	1.1%
Other research and deployment costs, excluding human resources and travel and entertainment	15.4%	3.9%
Other sales and marketing costs, excluding human resources and travel and entertainment	0.6%	0.1%

Operating expenses increased by \$6,622,797, or 190% as a result of the following items:

	(000s)
Human resource costs, including benefits	\$ 2,803
Travel and entertainment	199
Other general and administration costs:	
Professional fees and consulting costs	244
Other expense	1,057
Depreciation and amortization	841
Other research and deployment costs, excluding human resources and travel and entertainment	1,422
Other sales and marketing costs, excluding human resources and travel and entertainment	57
	<u>\$ 6,623</u>

The increase in operating expenses was primarily as the result of the acquisition of American Robotics which accounted for \$6,053,000 of the increase, specifically in compensation expense, depreciation and amortization and research and development expenses. The rest of the increase was primarily in legal, accounting and other services and insurance.

Operating Loss

As a result of the foregoing, our operating loss increased by \$7,109,945, or 247%, to \$9,991,333 for the three months ended March 31, 2022, compared with \$2,881,388 for the three months ended March 31, 2021. Operating loss increased primarily as a result of higher general and administration expenses and research and development expenses for the three months ended March 31, 2022.

Other Income (Expense), net

Other expense, net decreased by \$237,665, or 93%, to \$19,066 for the three months ended March 31, 2022, compared with \$256,731 for the three months ended March 31, 2021. During the three months ended March 31, 2022, compared to the same period in 2021, we reported a decrease in interest expense of approximately \$207,913, as a result of paying off the promissory note from Steward Capital Holdings LP on June 25, 2021.

Net Loss

As a result of the net effects of the foregoing, net loss increased by \$6,872,280, or 219%, to \$10,010,399 for the three months ended March 31, 2022, compared with \$3,138,119 for the three months ended March 31, 2021. Net loss per share of common stock, basic and diluted, was \$(0.12) for the three months ended March 31, 2021, compared with \$(0.24) for the three months ended March 31, 2022.

Summary of (Uses) and Sources of Cash

	Three Months Ended March 31,	
	2022	2021
Net cash used in operating activities	\$ (7,101,930)	\$ (3,066,199)
Net cash used in investing activities	(1,562,295)	(148,281)
Net cash provided by financing activities	(90,237)	1,179,934
Decrease in cash and cash equivalents	(8,754,462)	(2,034,546)
Cash and cash equivalents, beginning of period	40,815,123	26,060,733
Cash and cash equivalents, end of period	\$ 32,060,661	\$ 24,026,187

The principal use of cash in operating activities for the three months ended March 31, 2022 was to fund the Company's current expenses primarily related to operating activities necessary to allow us to service and support customers. The increase in cash flows used in operating activities of \$4,035,731 was primarily due to the increase in operating expenses. Cash flows used in investing activities increased by \$1,414,014 due to purchase of equipment and patent costs.

For a summary of our outstanding Secured Promissory Notes and Long-Term Notes Payable and, see NOTES 9 and 10 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, 2022, we had a stockholders' equity of approximately \$103,551,000. At March 31, 2022, we had short-term and long-term borrowings outstanding of approximately \$0 and \$300,000, respectively. As of March 31, 2022, we had cash of approximately \$32,061,000 and working capital of approximately \$30,375,000.

We believe available cash on hand, 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 filing date of this Form 10-Q.

ATM Offering

On March 22, 2022, the Company, entered into an Equity Distribution Agreement (the "ATM Agreement") with Oppenheimer & Co. Inc. (the "Sales Agent"). Pursuant to the terms of the ATM Agreement, the Company may offer and sell (the "ATM Offering") from time to time through the Sales Agent, as the Company's sales agent, up to \$50 million of shares of the Company's common stock, par value \$0.0001 per share (the "ATM Shares"). Sales of the ATM Shares, if any, may be made in sales deemed to be "at the market offerings" as defined in Rule 415 promulgated under the Securities Act. The Sales Agent is not required to sell any specific number or dollar amount of ATM Shares, but will act as a sales agent using commercially reasonable efforts consistent with its normal trading and sales practices and applicable state and federal laws, rules, and regulations and the rules of the Nasdaq Stock Market, on mutually agreed terms between the Sales Agent and the Company. The Sales Agent will receive from the Company a commission of 3.0% of the gross proceeds from the sales of ATM Shares by the Sales Agent pursuant to the terms of the Agreement. Net proceeds from the sale of the ATM Shares will be used for general corporate purposes.

The offering of ATM Shares pursuant to the ATM Agreement will terminate upon the earliest of (i) the sale of all ATM Shares subject to the ATM Agreement, and (ii) the termination of the ATM Agreement pursuant to its terms.

The ATM Shares are issued pursuant to the Company's shelf registration statement (the "Registration Statement") on Form S-3 (File No. 333-252571) filed on January 29, 2021, which became effective on February 5, 2021, and the prospectus supplement thereto dated March 22, 2022.

In April 2022 the Company sold 343,045 ATM Shares through the Sales Agent at an average price of \$7.72 with the net proceeds of \$2.5 million. In connection with the sale of these ATM Shares, the compensation paid by the Company to the Sales Agent was \$77,421.

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, 2022, 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, 2021 filed with the SEC on March 22, 2022. 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, 2021. 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 Form 10-Q, as well as information included in oral statements or other written statements made or to be made by us, contain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are neither historical facts nor assurances of future performance. These forward-looking statements are based on our current, reasonable expectations and assumptions, which expectations and assumptions are subject to risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in our Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the SEC on March 22, 2022, and the risks discussed under the caption "Risk Factors" included in this Quarterly Report on Form 10-Q. Given these risks and uncertainties, readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, except as required by law.

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, 2022. Based on that evaluation, the Company's Chief Executive Officer and the Company's Chief Financial Officer have concluded that as of March 31, 2022, 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. 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, 2022 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, 2022.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control 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, 2022, due to the existence of the following material weakness identified by management:

Inadequate review of stock-based compensation issued in connection with the acquisition of American Robotics

The Company has initiated a remediation plan that includes the following:

<i>Remediation plan</i>	<i>Status</i>
Implementation of a third-party equity management software to calculate stock compensation expense relating to all equity awards; and	The third-party stock plan administration platform service provider has been engaged in May 2022 and the Company is working with a third party to implement the software.
Restructuring working papers and the review process to ensure that stock compensation expense is correctly calculated.	Completed in April 2022.

Changes in Internal Control Over Financial Reporting

We are in the process of incorporating the controls and related procedures of American Robotics acquired in August 2021. Other than incorporating the controls and procedures of American Robotics and 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, 2022 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, 2021, 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, 2021.

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	Equity Distribution Agreement, dated March 22, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 22, 2022).
31.1	Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated May 10, 2022*
31.2	Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated May 10, 2022*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 dated May 10, 2022**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 dated May 10, 2022**
101.INS	Inline XBRL Instance Document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** 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 10, 2022

ONDAS HOLDINGS INC.

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

By: /s/ Derek Reisfield
Derek Reisfield
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 11, 2022

/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, Derek Reisfield, 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 11, 2022

/s/ Derek Reisfield

Derek Reisfield
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 ended March 31, 2022, 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 11, 2022

/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 Holdings Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Derek Reisfield, 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 11, 2022

/s/ Derek Reisfield

Derek Reisfield

Chief Financial Officer

(Principal Financial and Accounting 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.