

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 June 30, 2025

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: 001-39761

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.)

One Marina Park Drive, Suite 1410, Boston, MA 02210

(Address of principal executive offices) (Zip Code)

(888) 657-2377

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of the issuer's common stock as of August 7, 2025 was 219,164,818.

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

	June 30, 2025	December 31, 2024
	(Unaudited)	
ASSETS		
Current Assets:		
Cash	\$ 67,567,978	\$ 29,958,106
Restricted cash	983,322	41,215
Accounts receivable, net	5,382,704	5,223,182
Inventory, net	11,190,963	9,821,692
Other current assets	6,084,586	2,476,356
Total current assets	<u>91,209,553</u>	<u>47,520,551</u>
Property and equipment, net	<u>2,483,708</u>	<u>2,586,691</u>
Other Assets:		
Goodwill, net of accumulated impairment charges	27,751,921	27,751,921
Intangible assets, net	25,084,291	27,178,057
Deposits and other assets	706,023	663,073
Operating lease right of use assets	4,715,310	3,921,995
Total other assets	<u>58,257,545</u>	<u>59,515,046</u>
Total assets	<u>\$ 151,950,806</u>	<u>\$ 109,622,288</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 4,766,014	\$ 5,659,643
Operating lease liabilities	1,522,279	1,121,565
Accrued expenses and other current liabilities	4,822,251	4,719,214
Notes payable, net of unamortized debt discount and issuance costs of \$0 and \$226,785, respectively, related party	1,500,000	1,273,215
Convertible notes payable, net of unamortized debt discount and issuance cost of \$119,570 and \$362,237, respectively, related party	5,350,430	5,137,763
Convertible notes payable, net of unamortized debt discount and issuance cost of \$1,005,678 and \$5,236,362, respectively	9,224,322	31,947,445
Deferred revenue	3,364,533	329,025
Government grant liability	939,686	388,752
Total current liabilities	<u>31,489,515</u>	<u>50,576,622</u>
Long-Term Liabilities:		
Notes payable	300,000	300,000
Convertible notes payable, net of current, net of unamortized debt discount and issuance cost of \$0 and \$1,681,784, respectively	-	15,568,216
Accrued interest	19,848	20,041
Government grant liability, net of current	2,086,253	2,168,430
Operating lease liabilities, net of current	5,314,694	4,961,967
Other liabilities	82,500	82,500
Total long-term liabilities	<u>7,803,295</u>	<u>23,101,154</u>
Total liabilities	<u>39,292,810</u>	<u>73,677,776</u>
Commitments and Contingencies (Note 12)		
Temporary Equity		
Redeemable noncontrolling interest	21,836,812	19,361,205
Stockholders' Equity		
Preferred stock - par value \$0.0001; 5,000,000 shares authorized and none issued or outstanding at June 30, 2025 and December 31, 2024	-	-
Preferred stock, Series A - par value \$0.0001; 5,000,000 shares authorized and none issued or outstanding at June 30, 2025 and December 31, 2024	-	-
Common Stock - par value \$0.0001; 400,000,000 and 300,000,000 shares authorized at June 30, 2025 and December 31, 2024, respectively; 206,732,666 and 93,173,191 issued and outstanding, respectively June 30, 2025 and December 31, 2024, respectively	20,673	9,317
Additional paid in capital	352,054,834	252,941,813
Accumulated deficit	(261,254,323)	(236,367,823)
Total stockholders' equity	<u>90,821,184</u>	<u>16,583,307</u>
Total liabilities and stockholders' equity	<u>\$ 151,950,806</u>	<u>\$ 109,622,288</u>

The accompanying footnotes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenues, net	\$ 6,273,388	\$ 957,851	\$ 10,521,570	\$ 1,582,860
Cost of goods sold	2,941,318	1,148,746	5,700,950	2,168,737
Gross profit	<u>3,332,070</u>	<u>(190,895)</u>	<u>4,820,620</u>	<u>(585,877)</u>
Operating expenses:				
General and administration	6,078,531	4,163,987	11,987,929	8,062,076
Sales and marketing	2,265,715	1,308,705	4,695,825	2,629,854
Research and development	4,236,928	2,640,003	7,696,408	6,152,978
Total operating expenses	<u>12,581,174</u>	<u>8,112,695</u>	<u>24,380,162</u>	<u>16,844,908</u>
Operating loss	<u>(9,249,104)</u>	<u>(8,303,590)</u>	<u>(19,559,542)</u>	<u>(17,430,785)</u>
Other income (expense), net				
Other income (expense), net	(17,204)	257	(18,366)	(2,067)
Change in fair value of government grant liability	(143,349)	623,409	(267,374)	549,017
Interest income	250,340	87,276	451,146	184,777
Interest expense	(1,560,512)	(703,551)	(5,428,369)	(1,486,162)
Foreign exchange gain (loss), net	(30,321)	26,463	(63,995)	39,400
Total other income (expense), net	<u>(1,501,046)</u>	<u>33,854</u>	<u>(5,326,958)</u>	<u>(715,035)</u>
Loss before income taxes	(10,750,150)	(8,269,736)	(24,886,500)	(18,145,820)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	(10,750,150)	(8,269,736)	(24,886,500)	(18,145,820)
Less preferred dividends attributable to noncontrolling interest	390,000	390,000	780,000	724,138
Less deemed dividends attributable to accretion of redemption value	878,480	718,494	1,695,607	1,357,140
Net loss attributable to common stockholders	<u>\$ (12,018,630)</u>	<u>\$ (9,378,230)</u>	<u>\$ (27,362,107)</u>	<u>\$ (20,227,098)</u>
Net loss per share - basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.14)</u>	<u>\$ (0.21)</u>	<u>\$ (0.31)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>150,652,998</u>	<u>66,377,505</u>	<u>127,955,008</u>	<u>64,706,314</u>

The accompanying footnotes are an integral part of these unaudited Condensed Consolidated Financial Statements.

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2025 AND 2024
(Unaudited)

	Redeemable Noncontrolling Interest		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance, January 1, 2024	429,123	\$ 11,920,694	61,940,878	\$ 6,194	\$ 231,488,999	\$ (198,360,066)	\$ 33,135,127
Sale of redeemable preferred stock in Ondas Networks, net of issuance costs	108,925	3,028,806	-	-	(124,965)	-	(124,965)
Issuance of warrants in connection with the sale of redeemable preferred stock in Ondas Networks	-	-	-	-	1,471,194	-	1,471,194
Preferred dividends attributable to redeemable noncontrolling interest	-	334,138	-	-	(334,138)	-	(334,138)
Accretion of redeemable preferred stock in Ondas Networks	-	638,646	-	-	(638,646)	-	(638,646)
Sale of common stock, net of issuance costs	-	-	3,616,071	362	2,904,295	-	2,904,657
Issuance of warrants in Ondas Autonomous Systems, in connection with sale of common stock	-	-	-	-	954,737	-	954,737
Issuance of shares upon exercise of options	-	-	4,535	-	2,217	-	2,217
Delivery of shares for vesting of restricted stock units	-	-	3,000	-	-	-	-
Stock-based compensation	-	-	-	-	269,553	-	269,553
Net Loss	-	-	-	-	-	(9,876,084)	(9,876,084)
Balance, March 31, 2024	538,048	\$ 15,922,284	65,564,484	\$ 6,556	\$ 235,993,246	\$ (208,236,150)	\$ 27,763,652
Preferred dividends attributable to redeemable noncontrolling interest	-	390,000	-	-	(390,000)	-	(390,000)
Accretion of redeemable preferred stock in Ondas Networks	-	718,494	-	-	(718,494)	-	(718,494)
Issuance of shares for payment on convertible debt	-	-	340,855	34	250,153	-	250,187
Issuance of shares upon exercise of options and warrants	-	-	56,553	6	6,479	-	6,485
Settlement of development agreement	-	-	320,026	32	342,396	-	342,428
Delivery of shares for vesting of restricted stock units	-	-	268,794	27	(27)	-	-
Stock-based compensation	-	-	-	-	407,997	-	407,997
Net loss	-	-	-	-	-	(8,269,736)	(8,269,736)
Balance, June 30, 2024	538,048	\$ 17,030,778	66,550,712	\$ 6,655	\$ 235,891,750	\$ (216,505,886)	\$ 19,392,519
Balance, January 1, 2025	538,048	\$ 19,361,205	93,173,191	\$ 9,317	\$ 252,941,813	\$ (236,367,823)	\$ 16,583,307
Issuance of warrants in Ondas Networks, in connection with convertible note payable	-	-	-	-	345,403	-	345,403
Preferred dividends attributable to redeemable noncontrolling interest	-	390,000	-	-	(390,000)	-	(390,000)
Accretion of redeemable preferred stock in Ondas Networks	-	817,127	-	-	(817,127)	-	(817,127)
Issuance of shares for payment on convertible debt	-	-	33,322,397	3,332	21,936,182	-	21,939,514
Issuance of shares upon exercise of options and warrants	-	-	1,105,500	111	983,784	-	983,895
Delivery of shares for vesting of restricted stock units	-	-	123,711	12	(12)	-	-
Stock-based compensation	-	-	-	-	1,572,645	-	1,572,645
Net Loss	-	-	-	-	-	(14,136,350)	(14,136,350)
Balance, March 31, 2025	538,048	\$ 20,568,332	127,724,799	\$ 12,772	\$ 276,572,688	\$ (250,504,173)	\$ 26,081,287
Preferred dividends attributable to redeemable noncontrolling interest	-	390,000	-	-	(390,000)	-	(390,000)
Accretion of redeemable preferred stock in Ondas Networks	-	878,480	-	-	(878,480)	-	(878,480)
Issuance of shares and Pre-Funded Warrants from 2025 Public Offering, net of costs	-	-	27,200,000	2,720	42,674,363	-	42,677,083
Issuance of shares for payment on convertible debt	-	-	33,584,247	3,358	22,920,691	-	22,924,049
Issuance of shares upon exercise of options and warrants	-	-	17,888,750	1,789	8,976,913	-	8,978,702
Delivery of shares for restricted stock units	-	-	334,870	34	(34)	-	-
Stock-based compensation	-	-	-	-	2,178,693	-	2,178,693
Net Loss	-	-	-	-	-	(10,750,150)	(10,750,150)
Balance, June 30, 2025	538,048	\$ 21,836,812	206,732,666	\$ 20,673	\$ 352,054,834	\$ (261,254,323)	\$ 90,821,184

The accompanying footnotes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (24,886,500)	\$ (18,145,820)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation	369,689	234,305
Amortization of debt discount and issuance costs	4,496,595	994,705
Amortization of intangible assets	2,117,175	2,105,588
Amortization of right of use asset	559,570	466,156
Retirement of assets	-	1,578
Loss on intellectual property	15,704	-
Change in fair value of government grant liability	111,074	(692,196)
Stock-based compensation	3,751,338	677,550
Changes in operating assets and liabilities:		
Accounts receivable	(159,522)	1,138,730
Inventory	(1,369,271)	(2,371,081)
Other current assets	(3,608,230)	115,866
Deposits and other assets	(42,950)	(109,690)
Accounts payable	(893,629)	(232,044)
Accrued expenses and other current liabilities	2,039,970	(388,363)
Deferred revenue	3,035,508	8,335
Operating lease liability	(599,444)	(160,841)
Other liabilities	-	82,500
Net cash flows used in operating activities	<u>(15,062,923)</u>	<u>(16,274,722)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Patent costs	(27,748)	(18,698)
Purchase of equipment	(266,706)	(2,282,237)
Proceeds from sale of equipment	-	1,700
Purchase of software intangible	(11,365)	(15,638)
Net cash flows used in investing activities	<u>(305,819)</u>	<u>(2,314,873)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of noncontrolling interest in Ondas Networks, net of issuance costs	-	4,375,035
Proceeds from sale of common stock and Pre-Funded Warrants, net of issuance costs	42,677,083	3,859,394
Proceeds from exercise of options and warrants	9,962,597	8,702
Proceeds from convertible notes payable, net of issuance costs	923,358	-
Proceeds from government grant	364,683	299,838
Payments on government grant liability	(7,000)	-
Net cash flows provided by financing activities	<u>53,920,721</u>	<u>8,542,969</u>
Increase (decrease) in cash, cash equivalents, and restricted cash	38,551,979	(10,046,626)
Cash, cash equivalents, and restricted cash, beginning of period	29,999,321	15,022,000
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 68,551,300</u>	<u>\$ 4,975,374</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 7,693</u>	<u>\$ 11,923</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Preferred dividends attributable to redeemable noncontrolling interest	\$ 780,000	\$ 724,138
Accretion of redeemable preferred stock in Ondas Networks	\$ 1,695,607	\$ 1,357,140
Common stock issued in exchange for debt repayment	\$ 47,101,915	\$ 250,187
Noncash consideration for settlement of development agreement payable	\$ -	\$ 342,428
Warrants in Ondas Autonomous Systems, in relation to sale of common stock	\$ -	\$ 954,737
Warrants in relation to sale of redeemable preferred stock in Ondas Networks	\$ -	\$ 1,471,194
Warrants in Ondas Networks, in relation to notes payable and convertible notes payable	\$ 345,403	\$ -
Transfer of equipment into inventory	\$ -	\$ 398,046
Operating leases right-of-use assets obtained in exchange of lease liabilities	<u>\$ 1,352,885</u>	<u>\$ -</u>

The accompanying footnotes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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 (“Delaware Networks”), and changed our name to Ondas Holdings Inc. On August 5, 2021, we acquired American Robotics, Inc. (“American Robotics” or “AR”), a Delaware corporation. On January 23, 2023, we acquired Airobotics, Ltd. (“Airobotics”), an Israeli-based developer of autonomous drone systems. On December 6, 2023, the Company formed Ondas Autonomous Holdings Inc., a Nevada corporation, as an intermediate holding company which now wholly-owns American Robotics and Airobotics. On August 8, 2024, the Company filed a certificate of amendment with the Secretary of State of the State of Nevada, amending Ondas Autonomous Holdings Inc.’s name to Ondas Autonomous Systems Inc. (“OAS”). On August 7, 2024, the Company formed Ondas Networks Texas Inc., a Texas corporation and wholly owned subsidiary of the Company (“Texas Networks”). Pursuant to a certain Agreement and Plan of Merger, dated August 19, 2024, Delaware Networks merged with and into Texas Networks (the “Merger”) with Texas Networks being the surviving entity resulting from the Merger and shall continuing to exist and being governed by the laws of the State of Texas under the corporate name “Ondas Networks Inc.” (“Ondas Networks”).

As a result, Ondas Networks, OAS, American Robotics and Airobotics became our subsidiaries. Ondas’ corporate headquarters are located in Boston, Massachusetts. Ondas Networks has offices and facilities in Sunnyvale, California, American Robotics’ offices and facilities are located in Sparks, Maryland, and Airobotics’ offices and facilities are located in Petah Tikva, Israel.

Business Activity

Ondas is a leading provider of private wireless, drone, and automated data solutions through its subsidiaries Ondas Networks, OAS, Airobotics, and American Robotics. Ondas Networks provides wireless connectivity solutions. OAS provides drone and automated data solutions through its subsidiaries Airobotics and American Robotics. Ondas Networks and OAS together provide users in defense, homeland security, and critical infrastructure markets with improved connectivity, data collection capabilities, and data collection and information processing capabilities. We operate Ondas Networks and OAS as separate business segments, and the following is a discussion of each segment.

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, drone operations, 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. 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 802.16 standard. Because standards-based communications solutions are preferred by our mission-critical customers and ecosystem partners, we continue to take a leadership position in IEEE as it relates to wireless networking for industrial markets.

We design, develop, manufacture, sell and support FullMAX, our patented, Software Defined Radio (“SDR”) platform for secure, private, wide-area broadband networks. Our customers install FullMAX systems in order to upgrade and expand their legacy wide-area network infrastructure. By upgrading their legacy systems, customers benefit from significant increases in data throughput which enables new applications. We have targeted the North American freight rail operators for the initial adoption of our FullMAX platform. These rail operators currently operate legacy communications systems utilizing dated narrowband wireless technologies for voice and data communications. These legacy wireless networks have limited data capacity and are unable to support the adoption of new, intelligent train control and management systems. The freight rail operators through the Association of American Railroads (“AAR”), its advisory subsidiary MxV Rail, as well as the American Railway Engineering and Maintenance Association (“AREMA”), have adopted the IEEE 802.16 standard for future private wireless networks. The IEEE 802.16t Direct Peer-to-Peer (“DPP”) protocol has been selected by the AAR as the new standard for Next Generation head-of-train / end-of-train (“HOT-EOT”) communications or “NGHE Gen4.” This new protocol for train telemetry operations enables new safety and operational improvements to existing HOT-EOT applications.

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 security, more reliability and significant data throughput 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 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.

Ondas Autonomous Systems (OAS)

Our OAS business unit develops and integrates drone-based solutions focusing on high-performance critical applications for government and Tier-1 commercial enterprises. Ondas is marketing comprehensive drone-based solutions to address the needs of governmental and commercial customers based on its commercially available platforms: the Optimus System™, a fully autonomous drone platform capable of continuous and multipurpose aerial data capturing and analytics, and the Iron Drone Raider™, a fully autonomous interceptor drone designed to neutralize small hostile drones.

Our unique, fully autonomous platforms enable cutting-edge aerial capabilities and are designed to serve and protect critical infrastructure and operations. Our business focuses on end-user entities in defense, homeland security, public safety, smart city, airport authorities, and other governmental entities together with commercial operators of critical industrial and technology facilities such as oil & gas, seaports, mining, and heavy construction as well as for data centers and semiconductor fabs. For these industries, OAS provides specialized real-time aerial data capturing and aerial protection solutions in the most complex environments such as urban areas, sensitive and critical facilities and field area operations, and high-priority projects. In addition, we offer a wide suite of supplementary, enabling services for successful implementation such as AI data analytics, data automation, IT implementation, safety planning, certification, training, and maintenance, handling all the complex aspects of such high-performance drone operations.

Our portfolio companies, American Robotics and Airobotics, form a unique, powerful, and synergistic combination covering all the aspects required for successful Aerospace business together with data technologies and services for digital transformation industries. Our companies are specialized in addressing all the challenges arising along these types of product lifecycles including research and development, manufacturing, certification, and ongoing support.

OAS and its portfolio companies have already gained a track record of industry-leading regulatory successes including the securing of the first-of-its-kind Type Certification (TC) from the FAA for the Optimus 1-EX UAV on September 25, 2023, becoming the first autonomous security data capture UAV to achieve this distinction. TC, recognized as the highest echelon of Airworthiness Certification, streamline operational approvals for broad flight operations over people and infrastructure. The certification verifies the compliance of the system’s design with the required FAA airworthiness and noise standards, ensuring safe operation within the US National Airspace System (NAS) thereby significantly broadening the range of operational scenarios and scaling up of operations for automated UAS. Achieving FAA Type Certification will enable drone operations beyond-visual-line-of-sight (BVLOS) without a human operator on-site. With a strong footprint in the US market and worldwide, we believe that OAS is well-positioned with proven technology, a unique offering, and strong capabilities to strategically transform critical operations with our cutting-edge drone tech and capabilities.

Liquidity

We have incurred losses since inception and have funded our operations primarily through debt and the sale of capital stock. As of June 30, 2025, we had an accumulated deficit of approximately \$261,254,000. As of June 30, 2025, we had net long-term borrowings outstanding of approximately \$2,406,000 and short-term borrowings outstanding of approximately \$17,644,000, net of debt discount and issuance costs of approximately \$1,125,000, including accrued interest of approximately \$630,000, of which approximately \$342,000 is due to related parties. As of June 30, 2025, we had cash and restricted cash of approximately \$68,551,000 and working capital of approximately \$59,720,000. We had approximately \$15,063,000 of net cash flows used in operations for the six months ended June 30, 2025.

In 2024, we raised approximately \$36,997,000 of net proceeds from issuance of convertible notes in Ondas Holdings, Ondas Networks, and OAS; approximately \$1,422,000 of net proceeds from issuance of secured notes in Ondas Networks; approximately \$7,304,000 of net proceeds from issuing common stock, par value \$0.0001 ("Common Stock"), in Ondas Holdings, warrants in Ondas Holdings, and warrants in OAS; and approximately \$4,375,000 in net proceeds from issuing additional redeemable preference shares in Ondas Networks and warrants in Ondas Holdings.

As of June 30, 2025, we raised approximately \$42,677,000 in proceeds, net of issuance costs, from a registered public offering, \$9,963,000 from the exercise of stock options and warrants in Ondas Holdings, \$923,000 in proceeds, net of issuance costs, from issuance of convertible notes in Ondas Networks, and \$365,000 in Israeli government grants to Airobotics. Subsequent to June 30, 2025, the Company issued 6,950,574 shares as a result of Installment Conversions on the 2024 Additional Notes (as defined below), repaying the 2024 Additional Notes in full. As of July 18, 2025, the 2022 Convertible Promissory Notes (as defined below), 2023 Additional Notes (as defined below), and 2024 Additional Notes have been repaid in full.

In the Company's audited consolidated financial statements as of December 31, 2024 included in the Company's most recent Annual Report on Form 10-K and unaudited condensed consolidated financial statements included in the Company's Form 10-Q as of and for the three months ended March 31, 2025, management concluded that substantial doubt existed about the Company's ability to continue as a going concern due to recurring operating losses and limited liquidity resources.

During the three months ended June 30, 2025, the Company raised approximately \$42,677,000 in proceeds, net of issuance costs, from a registered public offering, and approximately \$8,979,000 from the exercise of stock options and warrants in Ondas Holdings. Management believes these actions sufficiently alleviate the previously identified conditions that raised substantial doubt, and the Company will have sufficient capital resources to fund its operations for the next twelve months from the date these interim financial statements are issued.

As of August 12, 2025, management has concluded that substantial doubt about the Company's ability to continue as a going concern no longer exists as of the issuance date of these unaudited condensed consolidated financial statements.

We expect to fund our operations for the next twelve months from the filing date of this Quarterly Report on Form 10-Q from the cash on hand as of June 30, 2025, gross profits generated from revenue growth, potential prepayments from customers for purchase orders, potential proceeds from warrants issued and outstanding, and additional funds that we may seek through equity or debt offerings and/or borrowings under additional notes payable, lines of credit or other sources.

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 and services 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 conditions, or results of operations.

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, 2024 ("2024 Form 10-K"). The Company's accounting policies are described in the "*Notes to Consolidated Financial Statements*" in the 2024 Form 10-K and are updated, as necessary, in this Form 10-Q. The December 31, 2024 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 six months ended June 30, 2025, are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

The unaudited Condensed Consolidated Financial Statements include the accounts of the Company and our subsidiaries, Ondas Networks, OAS, American Robotics and Airobotics. All inter-company accounts and transactions between these entities have been eliminated in these unaudited Condensed Consolidated Financial Statements. The functional currency of the Company and all of our subsidiaries is the U.S. dollar.

Business Combinations

We utilize the purchase method of accounting for business combinations. This method requires, among other things, that results of operations of acquired companies are included in Ondas' results of operations beginning on the respective acquisition dates and that assets acquired, and liabilities assumed are recognized at fair value as of the acquisition date. Any excess of the fair value of consideration transferred over the fair values of the net assets acquired is recognized as goodwill. Contingent consideration liabilities are recognized at the estimated fair value on the acquisition date; these are recorded in either other accruals within current liabilities (for expected payments in less than a year) or other non-current liabilities (for expected payments in greater than a year), both on our consolidated balance sheets. Subsequent changes to the fair value of contingent consideration liabilities are recognized in other income (expense) in the Consolidated Statements of Operations. Contingent consideration payments made soon after the acquisition date are classified as investing activities in the consolidated statements of cash flows. Contingent consideration payments not made soon after the acquisition date that are related to the acquisition date fair value are reported as financing activities in the consolidated statements of cash flows, and amounts paid in excess of the original acquisition date fair value are reported as operating activities in the consolidated statements of cash flows. The fair value of assets acquired, and liabilities assumed in certain cases, may be subject to revision based on the final determination of fair value during a period of time not to exceed 12 months from the acquisition date. Legal costs, due diligence costs, business valuation costs and all other business acquisition costs are expensed when incurred.

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.

The Company has recognized goodwill as part of the American Robotics acquisition in 2021 and Airobotics acquisition in 2023. In December 2024, the Company bypassed the qualitative analysis and proceeded directly to a quantitative analysis. The Company engaged a third-party service provider to carry out a valuation of the OAS reporting unit. Using a discounted cash flow model and market approach model with updated forecasts for revenue and cash flows, it was determined that the fair value of the OAS reporting unit was higher than the carrying value as of December 31, 2024.

Intangible assets represent patents, licenses, software 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 3 years for software; 10 years for patents; 3-10 years for developed technology, 10 years for licenses, trademarks, marketing-related assets and the FAA waiver; 5 years for customer relationships; and 1 year for non-compete agreements.

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 OAS 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 allocation of consideration for business combinations to identifiable tangible and intangible assets, 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, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. As of June 30, 2025 and December 31, 2024, we had no cash equivalents. Restricted cash includes cash that is not readily available for use in the Company's operating activities. At June 30, 2025, \$944,637 of our restricted cash balance relates to minimum cash reserves required to be maintained to cover bank guarantees issued related to new customer orders at OAS. The bank guarantees are valid through June 30, 2026, unless earlier canceled. The remaining restricted cash balance at June 30, 2025 and at December 31, 2024, is attributable to minimum cash reserve requirements for Airobotics' credit cards. The Company periodically monitors its positions with, and the credit quality of, the financial institutions with which it invests. Periodically, throughout the six months ended, and as of June 30, 2025, the Company has maintained balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. As of June 30, 2025, the Company was \$66,418,510 in excess of FDIC insured limits.

Accounts Receivable

Accounts receivable are stated at a gross invoice amount less an allowance for credit losses as well as net of any discounts or other forms of variable consideration. 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 June 30, 2025 and December 31, 2024. During the three and six months ended June 30, 2025 and 2024, we recognized \$0 of expense related to credit losses.

Inventory

Inventories, which consist solely of raw materials, work in process and finished goods, are stated at the lower of cost (first-in, first-out) or net realizable value, net of reserves for obsolete inventory. We continually analyze our slow-moving and excess inventories. Based on historical and projected sales volumes and anticipated selling prices, we established reserves. Inventory that is in excess of current and projected use is reduced by an allowance to a level that approximates its estimate of future demand. Products that are determined to be obsolete are written down to net realizable value. As of June 30, 2025 and December 31, 2024 such reserves were \$221,044.

Inventory consists of the following:

	June 30, 2025	December 31, 2024
Raw Material	\$ 4,427,625	\$ 4,354,121
Work in Process	2,595,017	306,016
Finished Goods	4,389,365	5,382,599
Less Inventory Reserves	(221,044)	(221,044)
Total Inventory, net	<u>\$ 11,190,963</u>	<u>\$ 9,821,692</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) 3 years for computer equipment, (ii) 5 years for vehicles and base stations and drones, (iii) 7 - 17 years for furniture and fixtures, (iv) 3 to 7 years for development equipment and machinery and equipment. 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.

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 are 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. There was no impairment of long-lived assets for the three and six months ended June 30, 2025 and 2024, respectively.

Research and Development

Costs for research and development are expensed as incurred except for research and development equipment with alternative future use. Research and development expenses consist primarily of salaries, salary related expenses and costs of contractors and materials.

Government Grants

The government grant liability was assumed through the acquisition of Airobotics and asset purchase of Iron Drone. Airobotics and Iron Drone receive government grants from the Israel Innovation Authority (formerly: the Office of the Chief Scientist in Israel, "the IIA"), and the grant funds are repayable to the extent that future economic benefits are expected from the research project that will result in royalty-bearing sales. A liability for grants received is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a government grant and recognized as a reduction of research and development expenses.

At each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future sales and using the original effective interest method, which is 17-19%, and if so, the appropriate amount of the liability is derecognized through other income (expense). Amounts paid as royalties are treated as a reduction of the liability. Royalty payments are due every nine months. There is no maturity date. The liability exists until it is paid in full through royalty payments or the Company reports to the IIA there will be no further sales.

Fair Value of Financial Instruments

Our financial assets and liabilities measured at fair value on a recurring basis consist primarily of receivables, accounts payable, accrued expenses and short- and long-term debt. The carrying amount of receivables, accounts payable and accrued expenses approximate our fair value because of the short-term maturity of such instruments. Our financial assets measured at fair value on a nonrecurring basis include right of use assets, goodwill and intangibles, which are adjusted to fair value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. Our estimate of the fair value of right of use assets, goodwill and intangibles is based on expected future cash flows and actual results may differ from those estimates.

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 Level 3 assets that are required to be valued at fair value as of June 30, 2025 and December 31, 2024.

The Company had Level 3 liabilities that are required to be valued at fair value as of June 30, 2025 and December 31, 2024. The fair value of the government grant liability is determined as the sum of 3% royalty payments on forecasted future sales, discounted using the effective interest method. As of June 30, 2025 and December 31, 2024, the Company made the following assumptions: (i) royalty payments will be made on future sales through 2027, and (ii) the effective interest rate is a range of 17-19%. The following table provides a reconciliation of the beginning and ending balances for the Level 3 government grant liability measured at fair value using significant unobservable inputs:

	Government Grant Liability
Balance as of December 31, 2024	\$ 2,557,182
Repayment on liability	(7,000)
Government grant proceeds received, adjusted to fair value	208,383
Net loss on change in fair value of liability	267,374
Balance as of June 30, 2025	<u>\$ 3,025,939</u>

Deferred Offering Costs

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with in-process equity financing as deferred offering costs until such financing is consummated. After consummation of equity financing, 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 financing be abandoned, the deferred offering costs are expensed immediately as a charge to other income (expense) in the Condensed Consolidated Statements of Operations.

Redeemable Noncontrolling Interests

In 2023 and 2024, Ondas Networks Inc. entered into multiple agreements with a third party for the sale of redeemable preferred stock in Ondas Networks (see Note 9 – Redeemable Noncontrolling Interest). The preferred stock accrues dividends at the rate per annum of eight percent (8%) of the original issue price and can be redeemed at the request of the Holder at any time after the fifth anniversary as follows:

- (i) In respect of the 2023 investments, for the greater of two times the initial investment plus accrued dividends or the amount that would be due if the Preferred Stock was converted into Common Stock.
- (ii) In respect of the 2024 investment, for the greater of one times the initial investment plus accrued dividends or the amount that would be due if the Preferred Stock was converted into Common Stock.

The applicable accounting guidance requires an equity instrument that is redeemable for cash or other assets to be classified outside of permanent equity if it is redeemable (a) at a fixed or determinable price on a fixed or determinable date, (b) at the option of the holder, or (c) upon the occurrence of an event that is not solely within the control of the issuer. As a result, the Company recorded the noncontrolling interest as redeemable noncontrolling interest and classified it in temporary equity within its consolidated balance sheet initially at its acquisition-date estimated redemption value or fair value. In addition, the Company has elected to accrete the redeemable noncontrolling interest to the full redemption value as of the earliest redemption date by accruing dividends at 8% per annum and accreting the redemption value to two and one times the initial investment, respectively, using the effective interest rate method.

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 U.S. 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.

Stock-based Compensation

We calculate stock-based compensation expense for option awards ("Stock-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 vesting period in determining the fair value of Stock-based Awards. The expected term is based on the "simplified method", due to the Company's limited option exercise history. Under this method, the term is estimated using the weighted average of the service vesting period and contractual term of the option award. As the Company does not yet have sufficient history of its own volatility, the Company has identified several public entities of similar size, complexities and industry and calculates historical volatility based on the volatilities of these companies. Although we believe our assumptions used to calculate stock-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 Condensed Consolidated Statements of Operations.

Advertising and Promotional Expenses

We expense advertising and promotional costs as incurred. We recognized expense of \$49,751 and \$15,618 for the three months ended June 30, 2025 and 2024, respectively, and expense of \$107,989 and \$41,761 for the six months ended June 30, 2025 and 2024, respectively. These costs are included in Sales and marketing on the accompanying Condensed Consolidated Statements of Operations.

Post-Retirement Benefits:

We have one 401(k) Savings Plan that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under this 401(k) Plan, matching contributions are based upon the amount of the employees' contributions subject to certain limitations. We recognized expense of \$68,363 and \$70,376 for the three months ended June 30, 2025 and 2024, respectively, and \$119,171 and \$143,486 for the six months ended June 30, 2025 and 2024, respectively.

Airobotics' post-employment benefits are usually funded by deposits with insurance companies and are classified as defined deposit plans or defined benefit plans. Airobotics' has defined deposit plans, in accordance with Section 14 of Severance Compensation Israeli Law, 1963, according to which Airobotics regularly makes its payments without having a legal or implied obligation to make additional payments even if the fund has not accumulated sufficient amounts to pay all employee benefits, in the current period and in previous periods. Deposits to a defined benefit plan for severance pay or benefits, are recognized as an expense when deposited with the plan in parallel with receiving work services from the employee. All of Airobotics' employees in Israel are subject to Section 14 of Severance Compensation Israeli Law. We recognized expense of \$307,810 and \$186,915 for the three months ended June 30, 2025 and 2024, respectively, and \$566,813 and \$372,498 for the six months ended June 30, 2025 and 2024, respectively, related to these post-employment benefits.

Revenue Recognition

We derive our revenue from product sales, services, and development arrangements. We determine revenue recognition in accordance with *ASC 606, Revenue from Contracts with Customers* through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract (where revenue is allocated on a relative standalone selling price basis by maximizing the use of observable inputs to determine the standalone selling price for each performance obligation); and (5) recognition of revenue when, or as, we satisfy 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.

Ondas has two business segments that generate revenue: Ondas Networks and OAS. 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. OAS generates revenue through the sales of their Optimus System™, the Iron Drone Raider™, and separately priced support, maintenance and ancillary services directly related to the sale of the Optimus System™ and the Iron Drone Raider™.

Product Sales Revenue

Product revenue is generally recognized when the customer obtains control of our product, which occurs at a point in time, and may be upon shipment or upon delivery based on the contractual shipping terms of a contract, or upon installation when the combined performance obligation is not distinct within the context of the contract.

Ondas Networks’ software and hardware, and OAS’ Optimus System™ and Iron Drone Raider™, are 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.

Service and Subscription Revenue

Service revenue is comprised of separately priced support and maintenance sales, as well as ancillary services, directly related to product sales, including product training, installation, and onsite support. 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 based on the stand-alone selling prices of these performance obligations which are stated in our contracts.

OAS also generates service revenue by selling a data subscription service to its customers based on the information collected by their autonomous systems. The customer pays for a monthly, annual, or multi-annual subscription service to remotely access the data collected by their autonomous systems. Data subscription service 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 their autonomous systems, it is held in deferred revenue and recognized after operation commences over the length of the subscription service.

Development Revenue

Development revenue is comprised primarily of non-recurring engineering service contracts to develop software and hardware applications for various customers. For Ondas Networks, in 2025 and 2024, a significant portion of this revenue is generated from one parent customer 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 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 based on the performance completed to date.

Payment Terms

Ondas Networks' payment terms are Net 30 days from the date of the invoices for product and services related revenue. OAS's payment terms vary and range from Net 30 days to Net 60 days from the date of the invoices for product and services related revenue. Payment terms for the majority of development related revenue carry milestone-related payment obligations which span the contract life. For milestone-based development contracts, the customer reviews the completed milestone and once approved, makes payment pursuant to the applicable contract.

Contracts with Multiple Performance Obligations

Our contracts may contain more than one of the products and services listed above, each of which is separately accounted for as a distinct performance obligation. We account for multiple agreements with a single customer as a single contract if the contractual terms and/or substance of those agreements indicate that they may be so closely related that they are, in effect, parts of a single contract. We allocate the total transaction price to each distinct performance obligation in a multiple performance obligations arrangement on a relative standalone selling price basis. The standalone selling price reflects the price we would charge for a specific product or service if it were sold separately in similar circumstances and to similar customers. 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. If a contract contains a single performance obligation, no allocation is required.

Contract Modification

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 six months ended June 30, 2025, and 2024, there were no modifications to contract specifications.

Disaggregation of Revenue

The following tables present our disaggregated revenues by type of revenue, timing of revenue, and revenue by country:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Type of Revenue:				
Product revenue	\$ 3,605,020	\$ 22,484	\$ 6,828,993	\$ 24,758
Service and subscription revenue	2,495,927	298,553	3,304,768	608,140
Development revenue	172,441	636,814	387,809	949,962
Total revenue	<u>\$ 6,273,388</u>	<u>\$ 957,851</u>	<u>\$ 10,521,570</u>	<u>\$ 1,582,860</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Timing of Revenue:				
Revenue recognized point in time	\$ 6,020,926	\$ 165,331	\$ 10,004,648	\$ 291,965
Revenue recognized over time	252,462	792,520	516,922	1,290,895
Total revenue	<u>\$ 6,273,388</u>	<u>\$ 957,851</u>	<u>\$ 10,521,570</u>	<u>\$ 1,582,860</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Geographic Region of Revenue, based on location services were provided or product was shipped to:				
United States	\$ 139,079	\$ 557,714	\$ 355,453	\$ 751,747
United Arab Emirates	1,723,424	122,043	3,256,815	252,087
Europe	3,111,388	101,584	3,111,388	265,883
Israel	1,259,117	176,510	3,746,842	303,143
India	40,380	-	51,072	10,000
Total revenue	<u>\$ 6,273,388</u>	<u>\$ 957,851</u>	<u>\$ 10,521,570</u>	<u>\$ 1,582,860</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 we have recognized revenue over time in accordance with meeting our performance obligation but are unable to invoice the customer yet based on the contractual invoicing terms. The contract asset is reclassified to a receivable when the right to consideration becomes unconditional. Contract assets are recorded at gross revenue recognized less an allowance for credit losses (see Accounts Receivable above). The table below details the activity in our contract assets during the six months ended June 30, 2025 and the year ended December 31, 2024. Contract assets are included in Other current assets on the Condensed Consolidated Balance Sheets.

	Six Months Ended June 30, 2025	Year Ended December 31, 2024
Balance at beginning of period	\$ 205,911	\$ 819,107
Contract assets recognized	3,593,452	322,888
Reclassification to Accounts receivable, net	(1,551,788)	(936,084)
Balance at end of period	<u>\$ 2,247,575</u>	<u>\$ 205,911</u>

We recognize a contract liability (deferred revenue) when we receive consideration from a customer, or if we have the unconditional right to consideration (i.e., a receivable), prior to 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 six months ended June 30, 2025 and the year ended December 31, 2024.

	Six Months Ended June 30, 2025	Year Ended December 31, 2024
Balance at beginning of period	\$ 329,025	\$ 276,944
Additions	3,094,605	1,596,155
Transfer to revenue	(59,097)	(1,439,074)
Transfer to general and administrative expense	-	(105,000)
Balance at end of period	<u>\$ 3,364,533</u>	<u>\$ 329,025</u>

Revenue recognized during the six months ended June 30, 2025 and 2024 that was included in the contract liability opening balance was \$18,716 and \$121,766, respectively.

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 June 30, 2025 and December 31, 2024 are immaterial to the Company's unaudited Condensed Consolidated Financial Statements.

Leases

Under Topic 842, operating lease expense is generally recognized evenly over the term of the lease. As of March 31, 2025, the Company's operating leases consisted of office spaces in Sunnyvale, CA (the "Oakmead Lease"), Sparks, MD, Waltham, MA (the "Waltham Lease"), and Petah Tikva, Israel (the "Airobotics Leases").

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 was \$45,000 per month, with a security deposit in the amount of \$90,000. On April 1, 2023, the Company amended the 2021 Gibraltar Lease to extend the lease through September 30, 2023, wherein the base rate was \$65,676 per month. On November 6, 2023, the Company amended the 2021 Gibraltar Lease, as amended to further extend the lease through June 30, 2024, wherein the base rate was \$68,959 per month. As of July 1, 2024, the lease was terminated.

On August 7, 2023, Ondas Networks entered into a 72-month lease agreement with the owner and landlord of office space in Sunnyvale, CA (the "Oakmead Lease"). The Oakmead Lease commenced on October 1, 2023, and is an operating lease through September 30, 2029. Base rent is \$77,533 per month, increasing approximately 3% annually, with a security deposit due in the amount of \$269,428. Base rent was abated during the first twelve months of the term of the lease.

On August 5, 2021, the Company acquired American Robotics and the American Robotics Lease, located in Marlborough, Massachusetts, wherein the base rate was \$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 the American Robotics 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 31, 2024. On November 10, 2023, American Robotics amended the American Robotics Lease, as amended to extend the existing lease term from January 31, 2024 to January 31, 2026 and to relinquish a portion of the leased outdoor space. The annual base rent was \$14,586 per month starting February 1, 2024, with an annual increase of 3.5% through January 2026. As of September 30, 2024, the lease was terminated.

On October 8, 2021, American Robotics entered into an 86-month operating lease for space in Waltham, Massachusetts. The Waltham Lease 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.

On January 15, 2024, American Robotics entered into an agreement to sublet their full leased space, leasehold improvements, and remaining furniture and fixtures in Waltham, Massachusetts through April 30, 2029, the remaining lease term, for \$22,920 per month from May 1, 2024 through April 30, 2025, then \$41,250 per month from May 1, 2025 through April 30, 2029. The sublease is an operating lease.

On January 1, 2025, American Robotics entered into a 48-month operating lease agreement for office space in Sparks, Maryland through December 31, 2028, wherein base rent is \$90,590 per year starting January 1, 2025, with an annual increase of 2% through December 31, 2028.

On January 23, 2023, the Company acquired Airobotics and the Airobotics Leases, which includes office space in Petah Tikva, Israel leased according to three different lease agreements. These agreements are with respect to different sections of the entire leased area and were in effect through December 31, 2023, February 28, 2024, and November 30, 2024 wherein the base rate of the entire leased area was approximately \$20,500 per month. The expired leases were being accounted for on a month-to-month basis. On May 22, 2025, Airobotics entered into a new operating lease agreement for the office space in Petah Tikva, Israel effective through April 30, 2029, wherein base rent is approximately \$22,000 per month.

On November 25, 2024, Airobotics entered into a 24-month lease agreement with the owner and landlord of office space in Dubai, United Arab Emirates (the “Dubai Office Lease”). The Dubai Office Lease commenced on December 1, 2024, and is an operating lease through December 2, 2026. Base rent for the full lease term is \$272,262, which was paid in full in December 2024.

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

Lease Costs

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Components of total lease costs:				
Operating lease expense	\$ 315,931	\$ 261,831	\$ 562,524	\$ 539,312
Common area maintenance expense	32,830	149,193	147,301	295,283
Short-term lease costs ⁽¹⁾	20,836	286,221	37,408	567,322
Total lease costs	<u>\$ 369,597</u>	<u>\$ 697,245</u>	<u>\$ 747,233</u>	<u>\$ 1,401,917</u>

(1) Represents short-term leases with an initial term of 12 months or less, which are immaterial.

Lease Positions as of June 30, 2025 and December 31, 2024

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

	June 30, 2025	December 31, 2024
Assets:		
Operating lease assets	\$ 4,715,310	\$ 3,921,995
Total lease assets	<u>\$ 4,715,310</u>	<u>\$ 3,921,995</u>
Liabilities:		
Operating lease liabilities, current	\$ 1,522,279	\$ 1,121,565
Operating lease liabilities, net of current	5,314,694	4,961,967
Total lease liabilities	<u>\$ 6,836,973</u>	<u>\$ 6,083,532</u>

Other Leases Information

	Six Months Ended June 30,	
	2025	2024
Operating cash flows for operating leases	\$ 903,349	\$ 458,824
Weighted average remaining lease term (in years) – operating lease	3.96	4.80
Weighted average discount rate – operating lease	8.57%	9.98%

Undiscounted Leases Cash Flows

Future lease payments included in the measurement of lease liabilities on the unaudited condensed consolidated balance sheet as of June 30, 2025, for the following five years and thereafter are as follows:

Years ending December 31, ⁽¹⁾	
2025 (6 months)	\$ 1,009,055
2026	2,024,007
2027	1,941,023
2028	1,978,504
2029	1,087,203
Total future minimum lease payments	\$ 8,039,792
Less imputed interest	(1,202,819)
Total	<u>\$ 6,836,973</u>

⁽¹⁾ Remaining non-cancellable sublease proceeds for the years ending December 31, 2025, 2026 - 2028, and 2029 of \$247,500, \$495,000, and \$144,375, respectively, are not included in the table above.

Net Loss Per Common Share

Basic net loss per share is computed by dividing net loss available to common stockholders (the numerator) by the weighted average number of shares of Common Stock outstanding for each period (the denominator). Income available to common stockholders shall be computed by deducting the dividends accumulated for the period on cumulative preferred stock (whether or not earned) from net income.

The computation of diluted net loss per share is similar to the computation of basic net loss per share except that the numerator may have to adjust for any dividends and income or loss associated with potentially dilutive securities that are assumed to have resulted in the issuance of shares of Common Stock, and the denominator may have to adjust to include the number of additional shares of Common Stock that would have been outstanding if the dilutive potential shares of Common Stock had been issued during the period to reflect the potential dilution that could occur from shares of Common Stock issuable through stock options, warrants, restricted stock units, or convertible preferred stock. For purposes of determining diluted earnings per common share, the treasury stock method is used for stock options, warrants, and restricted stock units, and the if-converted method is used for convertible preferred stock as prescribed in ASC Topic 260. Because of the net loss for the six months ended June 30, 2025 and 2024, the impact of including this in our computation of diluted net loss per share was anti-dilutive.

The following potentially dilutive securities for the three and six months ended June 30, 2025 and 2024 have been excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive.

	Three and Six Months Ended June 30,	
	2025	2024
Warrants to purchase Common Stock	14,028,689	15,831,998
Options to purchase Common Stock	17,482,554	4,949,407
Potential shares issuable under 2022 Convertible Promissory Notes	-	62,236,724
Potential shares issuable under 2023 Additional Notes	-	29,565,356
Potential shares issuable under 2024 Additional Notes	30,549,398	-
Restricted stock units	3,740,238	282,672
Total potentially dilutive securities	65,800,879	112,866,157

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and accounts receivable. Cash is deposited with a limited number of financial institutions. The balances held at any one financial institution may be in excess of FDIC insurance limits. As of June 30, 2025, the Company was \$66,418,510 in excess of FDIC insured limits.

Credit is extended to customers based on an evaluation of their financial condition and other factors. We generally do not require collateral or other security to support accounts receivable. We perform ongoing credit evaluations of our customers and maintain an allowance for credit losses.

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. Revenue from significant customers, those representing 10% or more of total revenue, was composed of three customers accounting for 50%, 27% and 19% of the Company's revenue for the three month period ended June 30, 2025, respectively. Revenue from significant customers was composed of three customers accounting for 31%, 30% and 28% of the Company's revenue for the six month period ended June 30, 2025, respectively. Revenue was composed of three customers accounting for 67%, 13% and 13% of the Company's revenue for the three month period ended June 30, 2024, respectively. Revenue from significant customers was composed of three customers accounting for 60%, 15% and 15% of the Company's revenue for the six month period ended June 30, 2024, respectively.

Accounts receivable from significant customers, those representing 10% or more of the total accounts receivable, were composed of three customers accounting for 32%, 31%, and 29%, respectively, of the Company's accounts receivable balance as of June 30, 2025. Two customers accounted for 78% and 10%, respectively, of the Company's accounts receivable balance as of December 31, 2024.

Recently Adopted Accounting Pronouncements

In December 2023, the FASB issued ASU No. 2023-08, "Accounting for and Disclosure of Crypto Assets", which amends and enhances the disclosure requirements for crypto assets. The new requirements will be effective for public business entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. The adoption of this pronouncement as of January 1, 2025 had no impact on our accompanying unaudited Condensed Consolidated Financial Statements, as the Company has no crypto assets.

In November 2024, the FASB issued ASU No. 2024-04, “Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments”. The amendments in ASU No. 2024-04 clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion, applicable only to conversions that include the issuance of all equity securities issuable pursuant to the conversion privileges provided in the terms of the debt at issuance, and make additional clarifications to assist stakeholders in applying the guidance. For all entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. The adoption of this pronouncement as of January 1, 2025 had no impact on our accompanying unaudited Condensed Consolidated Financial Statements, as the Company’s convertible debt instruments’ conversion privileges were not changed to induce conversion.

Recently Issued Accounting Pronouncements Not Yet Adopted

In October 2023, the FASB issued ASU No. 2023-06, which incorporates 14 of the 27 disclosures referred to by the SEC in their SEC Release No. 33-10532, Disclosure Update and Simplification, issued on August 17, 2018. The amendments in this ASU modify the disclosure or presentation requirements of a variety of Topics in the Codification and apply to all reporting entities within the scope of the affected Topics unless otherwise indicated. The amendments in this ASU should be applied prospectively. For public business entities, the effective date for each amendment will be the date on which the SEC’s removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company has evaluated the effects of the adoption of ASU No. 2022-03, and it is not expected to have an impact on the Company’s unaudited Condensed Consolidated Financial Statements.

In December 2023, the FASB issued ASU No. 2023-09, “Improvements to Income Tax Disclosures”, which requires companies to provide disaggregated information about a reporting entity’s effective tax rate reconciliation as well as information on income taxes paid. The new requirements will be effective for public business entities for fiscal periods beginning after December 15, 2024. The Company is currently assessing the impact of adopting this standard on the Company’s unaudited Condensed Consolidated Financial Statements.

In November 2024, the FASB issued ASU No. 2024-03, “Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)”. The amendments in ASU No. 2024-03 require disclosure, in the notes to financial statements, of specified information about certain costs and expenses. The amendments require that at each interim and annual reporting period an entity: 1. Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas-producing activities (DD&A) (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a)–(e). 2. Include certain amounts that are already required to be disclosed under U.S. GAAP in the same disclosure as the other disaggregation requirements. 3. Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. 4. Disclose the total amount of selling expenses and, in annual reporting periods, an entity’s definition of selling expenses. For all public business entities, the amendments in ASU No. 2024-03 are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. In January 2025, the FASB issued ASU No. 2025-01, which clarified the above effective dates for ASU No. 2024-03. The Company is currently assessing the impact of adopting this standard on the Company’s unaudited Condensed Consolidated Financial Statements.

In May 2025, the FASB issued ASU No. 2025-03, “Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity”, which require an entity involved in an acquisition transaction effected primarily by exchanging equity interests when the legal acquiree is a variable interest entity (VIE) that meets the definition of a business to consider the factors in paragraphs 805-10-55-12 through 55-15 to determine which entity is the accounting acquirer. The amendments in ASU No. 2025-03 replace the requirement that the primary beneficiary always is the acquirer with an assessment that requires an entity to consider the factors to determine which entity is the accounting acquirer. The amendments in ASU No. 2025-03 are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an interim or annual reporting period. The Company is currently assessing the impact of adopting this standard on the Company’s unaudited Condensed Consolidated Financial Statements.

In July 2025, the FASB issued ASU No. 2025-05, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets”, which provides all entities, including public business entities, with a practical expedient, which allows the entity to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset when developing reasonable and supportable forecasts as part of estimating expected credit losses. The amendments in ASU No. 2025-05 should be applied prospectively and are effective for all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. The Company is currently assessing the impact of adopting this standard on the Company’s unaudited Condensed Consolidated Financial Statements.

NOTE 3 – OTHER CURRENT ASSETS

Other current assets consist of the following:

	June 30, 2025	December 31, 2024
Prepaid insurance	\$ 716,070	\$ 871,856
Advance to vendors	1,350,791	1,001,818
Contract asset	2,247,575	205,911
VAT input credit	520,549	52,375
Prepaid software subscriptions	961,798	85,441
Other prepaid expenses and current assets	287,803	258,955
Total other current assets	<u>\$ 6,084,586</u>	<u>\$ 2,476,356</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2025	December 31, 2024
Vehicles	\$ 149,916	\$ 149,916
Computer equipment	624,256	464,661
Furniture and fixtures	364,216	336,682
Leasehold improvements	3,687,138	3,612,176
Development equipment	456,686	456,686
Drones and base stations	1,012,946	1,012,946
Machinery and equipment	72,436	67,821
Total property and equipment	6,367,594	6,100,888
Less: accumulated depreciation	(3,883,886)	(3,514,197)
Net property and equipment	<u>\$ 2,483,708</u>	<u>\$ 2,586,691</u>

Depreciation expense for the three months ended June 30, 2025 and 2024 was \$188,980 and \$111,234, respectively. Depreciation expense for the six months ended June 30, 2025 and 2024 was \$369,689 and \$234,305, respectively. For the three and six months ended June 30, 2025, the Company recognized no gain or loss on disposal of property and equipment. For the three and six months ended June 30, 2024, the Company recognized a gain on disposal of Computer equipment of \$1,700 and loss on disposal of Computer equipment of \$1,578, respectively. Gain or loss on disposal of property and equipment is included in Other income (expense), net in the Company’s unaudited Condensed Consolidated Statements of Operations. As of June 30, 2025, there was \$694,550 of net property and equipment located in Israel.

NOTE 5 – INTANGIBLE ASSETS

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

	June 30, 2025			December 31, 2024			Useful Life
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Patents	\$ 185,940	\$ (72,825)	\$ 113,115	\$ 165,106	\$ (58,808)	\$ 106,298	10
Patents in process	95,023	-	95,023	103,813	-	103,813	N/A
Licenses	241,909	(126,144)	115,765	241,909	(114,048)	127,861	10
Software	283,217	(230,109)	53,108	271,852	(208,699)	63,153	3
Trademarks	3,230,000	(1,260,721)	1,969,279	3,230,000	(1,099,226)	2,130,774	10
FAA waiver	5,930,000	(2,314,575)	3,615,425	5,930,000	(2,018,084)	3,911,916	10
Developed technology	27,977,331	(10,030,668)	17,946,663	27,977,331	(8,564,502)	19,412,829	3 - 10
Non-compete agreements	840,000	(840,000)	-	840,000	(840,000)	-	1
Marketing-related assets	890,000	(216,040)	673,960	890,000	(171,540)	718,460	10
Customer relationships	1,010,000	(508,047)	501,953	1,010,000	(407,047)	602,953	5
	<u>\$ 40,683,420</u>	<u>(15,599,129)</u>	<u>25,084,291</u>	<u>\$ 40,660,011</u>	<u>\$ (13,481,954)</u>	<u>\$ 27,178,057</u>	

Amortization expense for the three months ended June 30, 2025 and 2024 was \$1,055,306 and \$1,053,377, respectively. Amortization expense for the six months ended June 30, 2025 and 2024 was \$2,117,175 and \$2,105,588, respectively.

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

Year Ending December 31,	Estimated Amortization
2025 (6 months)	\$ 2,070,905
2026	4,091,986
2027	4,080,818
2028	3,795,009
2029	3,758,276
Thereafter	7,287,297
Total	<u>\$ 25,084,291</u>

NOTE 6 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	June 30, 2025	December 31, 2024
Accrued payroll and other benefits	\$ 3,310,950	\$ 1,907,175
D&O insurance financing payable	152,117	326,716
Accrued professional fees	171,619	191,152
VAT payable	75,815	385,279
Accrued interest	629,753	1,673,627
Accrued purchases	294,039	82,841
Other accrued expenses and payables	187,958	152,424
Total accrued expenses and other current liabilities	<u>\$ 4,822,251</u>	<u>\$ 4,719,214</u>

NOTE 7 – NOTES PAYABLE

2017 Convertible Promissory Note

On September 14, 2017, the Company and an individual entered into a convertible promissory note with unilateral conversion preferences by the individual (the “2017 Convertible Promissory Note”). On July 11, 2018, the Company’s Board approved certain changes to the 2017 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.

As of June 30, 2025 and December 31, 2024, the total outstanding balance of the 2017 Convertible Promissory Note was \$300,000. The maturity date of the 2017 Convertible Promissory Note is based on the payment of 0.6% of quarterly gross revenue until 1.5 times the amount of the 2017 Convertible Promissory Note is paid. Accrued interest on June 30, 2025, and December 31, 2024 was \$19,848 and \$20,041, respectively. Interest expense for the three and six months ended June 30, 2025 was \$ 3,750 and \$7,500, respectively. Interest expense for the three and six months ended June 30, 2024 was \$3,750 and \$7,500, respectively.

2022 Convertible Exchange Notes

On October 28, 2022, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with certain investors pursuant to which we issued convertible notes (“2022 Convertible Promissory Notes”) in the principal amount of \$34.5 million, with a debt discount of \$4.5 million and issuance costs of \$2.3 million. The net amount of proceeds to us from the 2022 Convertible Promissory Notes after deducting the placement agent’s fees and transaction expenses (issuance costs) were approximately \$27,703,000. The Company has used the net proceeds of the 2022 Convertible Promissory Notes for general corporate purposes, including funding capital, expenditures, or the expansion of its business and providing working capital.

On January 20, 2023, the Company entered into an Amendment No. 1 to the Purchase Agreement (“Amended SPA”). The Amended SPA amends the notes as described below and was accounted for as a modification of the Purchase Agreement.

Pursuant to the terms of the Amended SPA, on January 20, 2023, the Company exchanged the 2022 Convertible Promissory Notes, on a dollar-for-dollar basis, into 3% Senior Convertible Notes Due 2024 (the “2022 Convertible Exchange Notes”).

The 2022 Convertible Exchange Notes are identical in all material respects to the 2022 Convertible Promissory Notes, except that they (i) are issued pursuant to the Base Indenture (as defined below) and the First Supplemental Indenture (as defined below); (ii) have a maturity date of October 28, 2024; (iii) allow for the Acceleration of Installment Amounts (as defined in the 2022 Convertible Exchange Notes) not to exceed eight (8) times the Installment Amount (as defined in the 2022 Convertible Exchange Notes) with respect to the Installment Date (as defined in the 2022 Convertible Exchange Notes) related to the Current Acceleration (as defined in the 2022 Convertible Exchange Notes); and (iv) modify the Acceleration Conversion Price (as defined in the 2022 Convertible Exchange Notes).

The 2022 Convertible Exchange Notes were issued pursuant to the first supplemental indenture (the “First Supplemental Indenture”), dated as of January 20, 2023, between the Company and Wilmington Savings Fund Society, FSB, as trustee (the “Trustee”). The First Supplemental Indenture supplements the indenture entered into by and between the Company and the Trustee, dated as of January 20, 2023 (the “Base Indenture” and, together with the First Supplemental Indenture, the “Initial Indenture”). The Initial Indenture has been qualified under the Trust Indenture Act of 1939, and the terms of the 2022 Convertible Exchange Notes include those set forth in the Initial Indenture and those made part of the Initial Indenture by reference to the Trust Indenture Act.

On July 21, 2023, the Company entered into an agreement and waiver with the holder of the 2022 Convertible Exchange Notes (the “Agreement and Waiver,” together with the Purchase Agreement and Amended SPA, the “SPA”) that included (i) extending the Maturity Date to from October 28, 2024 to April 28, 2025; (ii) waive the last sentence of Section 8(e) of the Notes (such that last sentence of Section 8(e) of the Notes shall have no further force and effect) (the “Acceleration Waiver”); (iii) reduce the Conversion Price of the 2022 Convertible Exchange Notes to the lower of (A) the Conversion Price then in effect and (B) the greater of (x) the Floor Price (as defined in the Notes) then in effect and (y) 125% of the lowest volume weighted average price (“VWAP”) of the Common Stock during the five (5) consecutive Trading Day period ending and including the Trading Day immediately prior to the effective date; provided, that, in addition, during the period commencing on the effective date through and including September 30, 2023, the conversion price of the Notes, solely with respect to voluntary conversions of such aggregate Conversion Amount of the Notes not in excess of such aggregate Current Installment Amounts of such applicable period (or otherwise eligible to be converted in one or more Accelerations during such applicable period), shall be further lowered to the Installment Conversion Price (as defined in the Existing Note) in effect for the Installment Date (as defined in the Existing Note) of the Existing Note of July 3, 2023; (iv) to extend the Additional Closing Expiration Date to April 28, 2026; and (v) increase the aggregate principal amount of Notes issuable in one or more Additional Closings to \$46,000,000. This agreement was accounted for as a modification.

The 2022 Convertible Exchange Notes bear interest at the rate of 3% per annum. The 2022 Convertible Exchange Notes are payable in monthly installments beginning on November 1, 2022 through the maturity date of April 28, 2025 (each such date, an “Installment Date”). On each Installment Date, we will make monthly payments by converting the applicable “Installment Amount” (as defined below) into shares of our Common Stock (an “Installment Conversion”), subject to satisfaction of certain equity conditions, including a minimum \$1.50 share price, \$500,000 minimum daily volume, and maintaining continued Nasdaq listing requirements among other conditions. If these conditions are not met, installments can be requested in cash. For the six months ended June 30, 2025 and 2024, we made no cash payments, and we issued 8,956,644 and 340,855 common shares as a result of Installment Conversion, respectively. At each Installment Date the note holder may defer some or all of the amount due until the subsequent Installment Date. In between Installment Dates, the note holder also has the option to accelerate certain portions of principal due. At each Installment Date the price used to exchange outstanding notes into Common Stock is based on the lower of (A) 92% of the lowest VWAP of the respective previous five trading days; and (B) the Floor Price (\$0.32 as of December 31, 2024). The maximum conversion price is \$1.50 per share.

The “Installment Amount” will equal:

- (i) for all Installment Dates other than the maturity date, the lesser of (x) the Holder Pro Rata Amount of \$1,437,500 and (y) the principal amount then outstanding under the Note; and
- (ii) on the maturity date, the principal amount then outstanding under the Note.

Each month, the note holders may accelerate a portion of the note due up to eight times the minimum Installment Amount of \$1,437,500.

As of June 30, 2025, the 2022 Convertible Promissory Notes have been repaid in full, and the remaining unamortized debt discount and issuance costs of \$33,863 was taken to additional paid in capital.

2023 Additional Notes

On July 24, 2023, pursuant to the terms of the Purchase Agreement, as amended, an Investor elected to purchase 3% Series B-2 Senior Convertible Notes in the aggregate original principal amount of \$11.5 million (the “2023 Additional Notes”), which 2023 Additional Notes are convertible into shares of Common Stock under certain conditions more fully described in the 2022 Convertible Exchange Notes discussed above. The 2023 Additional Notes have an original issue discount of approximately thirteen percent (13%) resulting in gross proceeds to the Company of \$10.0 million. The Company currently intends to use the net proceeds for general corporate purposes, which includes funding capital expenditures and working capital. The 2023 Additional Notes have a maturity date of July 25, 2025. The 2023 Additional Notes were issued pursuant to the second supplemental indenture, dated as of July 25, 2023, between the Company and the Trustee (the “Second Supplemental Indenture,” and together with the Base Indenture, the “Second Indenture”). The Second Supplemental Indenture supplements the Base Indenture. The Second Indenture has been qualified under the Trust Indenture Act of 1939, and the terms of the Additional Notes include those set forth in the Second Indenture and those made part of the Indenture by reference to the Trust Indenture Act.

The 2023 Additional Notes bear interest at the rate of 3% per annum. The 2023 Additional Notes are payable in monthly installments beginning on August 1, 2023 through the maturity date of July 24, 2025 (each such date, an “2023 Installment Date”). On each 2023 Installment Date, we will make monthly payments by converting the applicable 2023 Installment Amount (as defined above under the 2022 Convertible Exchange Notes) into shares of our Common Stock (a “2023 Installment Conversion”), subject to satisfaction of certain equity conditions, including a minimum \$1.50 share price, \$500,000 minimum daily volume, and maintaining continued Nasdaq listing requirements among other conditions. If these conditions are not met, installments can be requested in cash. For the six months ended June 30, 2025, we made no cash payments, and we issued 15,636,297 common shares as a result of Installment Conversion. For the six months ended June 30, 2024, we made no cash payments and issued no common shares as a result of the note holder deferring all 2023 Installment Conversions. At each Installment Date the note holder may defer some or all of the amount due until the subsequent Installment Date. In between Installment Dates, the note holder also has the option to accelerate certain portions of principal due. At each Installment Date the price used to exchange outstanding notes into Common Stock is based on the greater of (x) the Floor Price (\$0.40 as of December 31, 2024) and (y) 92% of the lowest VWAP of the prospective five trading days. The maximum conversion price is \$1.45 per share.

As of June 30, 2025, the 2023 Additional Notes have been repaid in full, and the remaining unamortized debt discount and issuance costs of \$174,415 was taken to additional paid in capital.

2024 Additional Notes

On December 3, 17, and 31, 2024, pursuant to the terms of the Purchase Agreement, as amended, an Investor elected to purchase 3% Series B-2 Senior Convertible Notes in the aggregate original principal amount of \$4.1 million, \$11.5 million, and \$18.9 million, respectively, (the “2024 Additional Notes,” together with the 2022 Convertible Exchange Notes and 2023 Additional Notes, the “Notes”), which 2024 Additional Notes are convertible into shares of Common Stock under certain conditions more fully described in the 2022 Convertible Exchange Notes discussed above. The 2024 Additional Notes have an original issue discount of approximately thirteen percent (13%) resulting in net proceeds to the Company of \$30.1 million. The Company currently intends to use the net proceeds for general corporate purposes and will be primarily allocated to supporting the growth of our drone business at OAS. The 2024 Additional Notes have a maturity date of December 3, 17, and 31, 2026, respectively. The 2024 Additional Notes were issued pursuant to an indenture entered into by and between the Company and the Trustee, dated as of December 3, 2024 (the “2024 Base Indenture”). The 2024 Base Indenture was supplemented by three supplemental indentures (the “2024 Indentures”, dated as of December 3, 17 and 31, 2024, between the Company and the Trustee. The 2024 Indentures have been qualified under the Trust Indenture Act of 1939, and the terms of the 2024 Additional Notes include those set forth in the 2024 Indentures and those made part of the 2024 Indentures by reference to the Trust Indenture Act.

The 2024 Additional Notes bear interest at the rate of 3% per annum. The 2024 Additional Notes are payable in monthly installments beginning on January 1, 2025, through the maturity date of December 3, 17, and 31, 2026, respectively, (each such date, an “2024 Installment Date”). On each 2024 Installment Date, we will make monthly payments by converting the applicable 2024 Installment Amount (as defined above under the 2022 Convertible Exchange Notes) into shares of our Common Stock (an “2024 Installment Conversion”), subject to satisfaction of certain equity conditions, including a minimum \$1.50 share price, \$500,000 minimum daily volume, and maintaining continued Nasdaq listing requirements among other conditions. If these conditions are not met, installments can be requested in cash. At each 2024 Installment Date the note holder may defer some or all of the amount due until the subsequent 2024 Installment Date. In between 2024 Installment Dates, the note holder also has the option to accelerate certain portions of principal due. At each 2024 Installment Date the price used to exchange outstanding notes into Common Stock is based on the greater of (x) the Floor Price (\$0.17, \$0.20, and \$0.50, respectively, as of December 31, 2024) and (y) 92% of the lowest VWAP of the prospective five trading days. The maximum conversion price is \$0.80, \$0.88, and \$1.60 per share, respectively. For the six months ended June 30, 2025, we made no cash payments, and we issued 42,313,703 common shares as a result of Installment Conversion. As of June 30, 2025, the December 3, 2024 note with original principal amount of \$4.1 million and the December 31, 2024 note with original principal amount of \$18.9 million were repaid in full, and the remaining unamortized debt discount and issuance costs of \$2,030,073 was taken to additional paid in capital.

As of June 30, 2025, the total outstanding principal on the 2024 Additional Notes was \$5,244,799, net of unamortized debt discount of \$554,849 and unamortized issuance costs of \$200,352. As of December 31, 2024, the total outstanding principal on the 2022 Convertible Exchange Notes, 2023 Additional Notes, and 2024 Additional Notes was \$44,617,229, net of unamortized debt discount of \$4,746,547 and unamortized issuance costs of \$1,801,013. Accrued interest as of June 30, 2025 and December 31, 2024 was \$109,879 and \$1,558,615, respectively, and is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets.

For the three months ended June 30, 2025, we recognized interest expense of \$156,517 and amortization expense of \$824,005 related to the debt discount and issuance costs for the 2022 Convertible Exchange Notes, 2023 Additional Notes, and 2024 Additional Notes. For the six months ended June 30, 2025, we recognized interest expense of \$488,391 and amortization expense of \$3,554,007 related to the debt discount and issuance costs for the 2022 Convertible Exchange Notes, 2023 Additional Notes, and 2024 Additional Notes. For the three months ended June 30, 2024, we recognized interest expense of \$237,502 and amortization expense of \$455,179 related to the debt discount and issuance costs for the 2022 Convertible Exchange Notes and 2023 Additional Notes. For the six months ended June 30, 2024, we recognized interest expense of \$474,661 and amortization expense of \$994,705 related to the debt discount and issuance costs for the 2022 Convertible Exchange Notes and 2023 Additional Notes. The remaining unamortized debt discount and issuance costs will be amortized via the effective interest method under ASC 835. Interest expense and amortization expense of the debt discount and issuance costs are included in Interest expense on the unaudited Condensed Consolidated Statements of Operations.

Ondas Networks Convertible Notes

On July 8, 2024 and July 23, 2024, Charles & Potomac Capital, LLC, (“C&P”), an entity affiliated with Joseph Popolo, a former director of the Company, elected to purchase Convertible Notes in the aggregate original principal amount of \$700,000 and \$800,000, respectively, (the “July Networks Convertible Notes”). The July Networks Convertible Notes are convertible into shares of Networks Common Stock (as defined below) or Preferred Stock under certain conditions. The Company used the net proceeds for general corporate purposes, which includes funding capital expenditures and working capital. The July Networks Convertible Notes bear interest at the rate of 6% per annum and have an amended maturity date of December 31, 2025.

On November 13, 2024, pursuant to the Securities Purchase Agreement, dated November 13, 2024, by and between Networks and a private investor group (the “November Networks SPA”), multiple investors elected to purchase Convertible Notes in the aggregate original principal amount of \$2,069,017 (the “November Networks Convertible Notes”), of which \$1,000,000 was purchased by C&P. The November Networks Convertible Notes are convertible into shares of Networks Common Stock (as defined below) or Preferred Stock under certain conditions. The Company used the net proceeds for general corporate purposes, which includes funding capital expenditures and working capital. The November Networks Convertible Notes bear interest at the rate of 10% per annum and have a maturity date of September 30, 2025.

On January 15, 2025, pursuant to the Securities Purchase Agreement, dated November 13, 2024, by and between Networks, the Company, and a private investor group (the “January Networks SPA,” together with the November Networks SPA, the “Networks SPA”), multiple investors elected to purchase Convertible Notes in the aggregate original principal amount of \$2,930,983 (the “January 2025 Networks Convertible Notes,” together with the July Networks Convertible Notes and November Networks Convertible Notes, the “Ondas Networks Convertible Notes”), of which \$2,000,000 is from the Company. The January 2025 Networks Convertible Notes will (i) bear an interest rate of 10% per annum, (ii) have a maturity date of September 30, 2025, (iii) be secured by all assets of Networks, provided however such secured obligation shall be subordinate to that certain secured note, dated September 3, 2024, by and between Networks and C&P, and (iv) at the option of C&P be convertible into equity securities of Networks upon the closing (a) a Corporate Transaction (as defined in the Note) or (b) a subsequent offering of securities of Networks. The \$2,000,000 in Convertible Notes held by the Company has been eliminated in the consolidated financials.

On November 13, 2024 and January 15, 2025, in connection with the November Networks Convertible Notes and January 2025 Networks Convertible Notes, Networks issued the investors warrants to purchase \$2,069,017 and \$2,930,983, respectively, in shares of preferred stock of Networks, \$0.00001 par value per share, at an exercise price of \$20.65 per share, of which \$2,000,000 is to the Company and has been eliminated in the consolidated financials. The number of warrants exercisable under the Networks SPA is calculated by \$5,000,000 divided by the Conversion Price, which is the amount equal to the price per share of Networks' most senior series of Preferred Stock issued to investors in Networks' next equity financing date, or if none, then \$41.3104. The warrants are exercisable commencing November 13, 2024 through November 13, 2029 and January 15, 2025 through January 15, 2030, respectively. The Company engaged a third-party service provider to carry out an appraisal of the warrants, who ran a Black-Scholes Model to determine the fair value of the warrants as of November 13, 2024 and January 15, 2025, which was \$1,220,498 and \$549,154, respectively. The initial valuation was assigned to the November Networks Convertible Notes and January 2025 Networks Convertible Notes and the warrants based on their relative fair values, resulting in a total relative fair value of \$1,113,063 for the warrants, which was recorded as debt discount.

In the event Ondas Networks consummates an additional equity financing prior to the maturity date, the principal balance and unpaid accrued interest on the July Networks Convertible Notes, November Networks Convertible Notes and January Networks Convertible Notes will be convertible at the option of the Investor into conversion shares upon closing of the next round of equity financing.

As of June 30, 2025, the total outstanding principal on the July Networks Convertible Notes, November Networks Convertible Notes, and January 2025 Networks Convertible Notes was \$4,142,861, net of unamortized debt discount of \$342,026 and unamortized issuance costs of \$15,113. As of December 31, 2024, the total outstanding principal on the July and November Networks Convertible Notes was \$2,873,625, net of unamortized debt discount of \$650,843 and unamortized issuance costs of \$44,549. Accrued interest as of June 30, 2025 and December 31, 2024 was \$259,273 and \$40,932, respectively, and is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. For the three months ended June 30, 2025, we recognized interest expense of \$97,233, and amortization expense of \$357,144 related to debt discount and issuance costs. For the six months ended June 30, 2025, we recognized interest expense of \$218,342 and amortization expense of \$691,281 related to debt discount and issuance costs. The remaining unamortized debt discount and issuance costs will be amortized straight line over the term of the loan, as there was no material difference when compared to amortization via the effective interest method under ASC 835. Interest expense and amortization expense related to issuance costs are included in Interest expense on the unaudited Condensed Consolidated Statements of Operations.

OAS Convertible Notes

In October and December 2024, multiple investors elected to purchase Convertible Notes in the aggregate original principal amount of \$5,200,000, (the "OAS Convertible Notes"), of which \$2,000,000 was purchased by C&P and \$1,000,000 was purchased by Privet Ventures LLC, an entity affiliated with Eric Brock, Chairman and Chief Executive Officer of the Company and OAS. The OAS Convertible Notes are convertible into shares of OAS Common Stock, par value per share \$0.0001, or Preferred Stock under certain conditions. The Company currently intends to use the net proceeds for general corporate purposes, which includes funding capital expenditures and working capital. The OAS Convertible Notes bear interest at the rate of 5% per annum and have a maturity date of September 30, 2025.

In the event OAS consummates the next round of equity financing prior to the maturity date, the principal balance and unpaid accrued interest on the OAS Convertible Notes will be automatically converted into conversion shares upon closing of the next round of equity financing.

As of June 30, 2025, the total outstanding principal on the OAS Convertible Notes was \$5,187,092, net of unamortized issuance costs of \$12,908. As of December 31, 2024, the total outstanding principal on the OAS Convertible Notes was \$5,162,570, net of unamortized issuance costs of \$37,430. Accrued interest as of June 30, 2025 and December 31, 2024 was \$164,644 and \$36,973, respectively, and is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. For the three months ended June 30, 2025, we recognized interest expense of \$63,561 and amortization expense of \$12,193 related to the issuance costs. For the six months ended June 30, 2025, we recognized interest expense of \$127,671 and amortization expense of \$24,522 related to the issuance costs. The remaining unamortized issuance costs will be amortized straight line over the term of the loan, as there was no material difference when compared to amortization via the effective interest method under ASC 835. Interest expense and amortization expense related to issuance costs are included in Interest expense on the unaudited Condensed Consolidated Statements of Operations.

Ondas Networks Secured Note

On September 3, 2024, Networks entered into a Security Note Agreement (the “C&P Security Agreement”) with C&P, in which, Networks may draw, and C&P shall loan Networks, up to \$1,500,000 (the “Networks Secured Loan”). Pursuant to the C&P Security Agreement, Networks issued C&P a secured note in the amount of \$1,500,000, which amount may be increased or decreased by the mutual written agreement of the parties thereto (the “Networks Secured Note”). The Networks Secured Note (i) bears interest at a rate of 8% per annum, (ii) has an amended maturity date of December 31, 2025, and (iii) is secured by all assets of Networks. As of December 31, 2024, Networks has drawn a total of \$1,500,000 on the Networks Secured Note.

On September 3, 2024 and October 7, 2024, pursuant to the C&P Security Agreement, Networks issued C&P warrants to purchase \$1,000,000 and \$500,000, respectively, in shares of preferred stock of Networks, \$0.00001 par value per share, at an exercise price of \$20.65 per share. The number of warrants exercisable under the C&P Security Agreement is calculated by \$1,500,000 divided by the Conversion Price, which is the amount equal to the price per share of Networks’ most senior series of Preferred Stock issued to investors in Networks’ next equity financing date, or if none, then \$41.3104. The warrants are exercisable commencing September 3, 2024 through September 3, 2029 and October 7, 2024 through October 7, 2029, respectively. The Company engaged a third-party service provider to carry out an appraisal of the warrants, who ran a Black-Scholes Model to determine the fair value of the warrants as of September 3, 2024 and October 7, 2024, which was \$589,924 and \$294,950, respectively. The initial valuation was assigned to the Networks Secured Note and the warrants based on their relative fair values, resulting in a total relative fair value of \$556,554 for the warrants, which was recorded as debt discount.

As of June 30, 2025, the total outstanding principal on the Networks Secured Note was \$1,500,000. As of December 31, 2024, the total outstanding principal on the Networks Secured Note was \$1,273,215, net of unamortized debt discount of \$201,136 and unamortized issuance costs of \$25,649. Accrued interest as of June 30, 2025 and December 31, 2024 was \$95,956 and \$37,107, respectively, and is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. For the three months ended June 30, 2025, we recognized interest expense of \$29,260 and amortization expense of \$0 related to the debt discount and issuance costs. For the six months ended June 30, 2025, we recognized interest expense of \$58,849 and amortization expense of \$226,784 related to the debt discount and issuance costs. Interest expense and amortization expense related to issuance costs are included in Interest expense on the unaudited Condensed Consolidated Statements of Operations.

Government Grant Liability

Airobotics has received grants from the Israel Innovation Authority (“IIA”) to finance its research and development programs in Israel, through which Airobotics received IIA participation payments in the aggregate amount of approximately \$4.0 million through June 30, 2025. All of these are royalty-bearing grants. In return, Airobotics is committed to pay IIA royalties at a rate of 3% of future sales of the developed products, up to 100% of the amounts of grants received plus interest at LIBOR. Through June 30, 2025, approximately \$738,000 in royalties have been paid to the IIA. The Company made royalty payments of \$7,000 and \$0 during the six months ended June 30, 2025 and 2024, respectively.

The Company’s royalty liability to the IIA as of June 30, 2025 and December 31, 2024, including grants received by Airobotics and the associated LIBOR interest on all such grants, was \$3,025,939 and \$2,557,182, respectively. The increase (decrease) in fair value of the government grant liability, including LIBOR interest expense accrued, for the six months ended June 30, 2025 and 2024 was \$267,374 and \$(549,017), respectively, which is included in Other income (expense), net on the unaudited Condensed Consolidated Statements of Operations.

NOTE 8 – STOCKHOLDERS' EQUITY

Common Stock

As of June 30, 2025 and December 31, 2024, the Company had 400,000,000 and 300,000,000 shares of Common Stock authorized for issuance, respectively, of which 206,732,666 and 93,173,191 shares of our Common Stock were issued and outstanding, respectively.

Preferred Stock

As of June 30, 2025 and December 31, 2024, 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," together with the Series A Preferred, the "Preferred Shares") shares. As of June 30, 2025 and December 31, 2024, the Company had no preferred stock outstanding.

Form S-3

On February 2, 2024, the Company initially filed with the Securities and Exchange Commission (the "SEC") a new shelf Registration Statement on Form S-3 for up to \$175,000,000, which represents \$150,000,000 under the Prior Form S-3 and an additional \$25,000,000 (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 15, 2024.

On April 18, 2025, the Company initially filed with the SEC a new shelf Registration Statement on Form S-3 for up to \$225,000,000 (the "New 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 New Form S-3 was declared effective by the SEC on April 25, 2025.

Stock Issued for Convertible Debt

During the six months ended June 30, 2025, the Company issued 66,906,644 shares of its Common Stock to the lenders in lieu of cash payments for \$1,937,125 of interest and \$45,164,790 of outstanding principal on the 2022 Convertible Exchange Notes, 2023 Additional Notes, and 2024 Additional Notes (See Note 7 – Notes Payable for further details).

During the six months ended June 30, 2024, the Company issued 340,855 shares of its Common Stock to the lenders in lieu of cash payments for \$187 of outstanding interest and \$250,000 of outstanding principal on the 2022 Convertible Exchange Notes (See Note 7 – Notes Payable for further details).

2025 Public Offering

On June 9, 2025, the Company entered into an underwriting agreement (the "Underwriting Agreement") with Oppenheimer & Co. Inc., as sole underwriter (the "Underwriter"), relating to the Company's underwritten public offering (the "2025 Public Offering") of 22,400,000 shares (the "2025 Firm Shares") of its Common Stock and pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 9,600,000 shares of Common Stock (the "Pre-Funded Warrant Shares"). Pursuant to the Underwriting Agreement, the Company also granted the Underwriter a 30-day option (the "Option") to purchase an additional 4,800,000 shares of Common Stock (the "Option Shares," and together with the Firm Shares, the "Shares").

On June 10, 2025, the Underwriter exercised the Option in full. The Shares and Pre-Funded Warrants were offered, issued, and sold pursuant to a prospectus supplement and accompanying prospectus that form part of an effective shelf registration statement on New Form S-3.

On June 11, 2025, the Company closed the 2025 Public Offering and issued the Shares and Pre-Funded Warrants. The public offering price for each Share was \$1.25 and the public offering price for each Pre-Funded Warrant was \$1.2499. The Pre-Funded Warrants have an exercise price of \$0.0001 per share, are immediately exercisable and will expire three years from the date of issuance. The net proceeds to the Company were approximately \$42,677,000 million after deducting underwriting discounts and commissions and offering expenses payable by the Company.

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

Gross Proceeds:	
Initial Closing	\$ 39,999,040
Option Closing	6,000,000
	<u>45,999,040</u>
Offering Costs:	
Underwriting discounts and commissions	(2,500,000)
Other offering costs	(821,957)
Net Proceeds	<u>\$ 42,677,083</u>

The Company will use the net proceeds of the 2025 Public Offering for general corporate purposes, including funding capital expenditures and providing working capital.

Sale of Common Stock in Ondas Holdings and Warrants to Purchase Common Stock of OAS

On February 26, 2024, the Company entered into a Securities Purchase Agreement (the “Ondas Agreement”) with certain purchasers named therein (the “Ondas Purchasers”) for the purchase and sale of (i) an aggregate of 3,616,071 shares (the “Holdings Shares”) of Common Stock and (ii) warrants to purchase an aggregate of 3,616,071 shares of OAS’ common stock \$0.0001 par value per share, at an exercise price of 80% of the lowest price of Common Shares of OAS issued in a subsequent financing of at least \$10,000,000 to the Company, and exercisable commencing ninety days following the date of issuance through the fifth anniversary of the date of issuance (the “OAS Warrants,” and together with the Holdings Shares, the “Ondas Offering Securities”), for gross proceeds of \$4,050,000 (the “Ondas Offering”). The purchase price paid by the Ondas Purchasers for the Holdings Shares was \$1.12 per share.

The Company engaged a third-party service provider to carry out an appraisal of the OAS Warrants, who ran a Monte Carlo simulation to determine the fair value of the OAS Warrants as of February 26, 2024, which is \$1,561,532. The initial valuation was assigned to the Holdings Shares and the OAS Warrants based on their relative fair values, with the initial valuation of the Holdings Shares being \$3,095,263 and OAS Warrants being \$954,737. As of June 30, 2025, there were 3,616,071 OAS Warrants outstanding, with a weighted average remaining contractual life of 3.66 years.

Sale of Common Stock and Warrants in Ondas Holdings

On August 28, 2024, the Company entered into a Securities Purchase Agreement, (the “Purchase Agreement”) with an institutional investor (the “Investor”), pursuant to which the Company agreed to issue and sell, in a registered direct offering by the Company directly to the Investor an aggregate of 5,333,334 shares of Common Stock (the “Holdings Shares”), together with Series A warrants (“Series A Warrants”) to purchase up to 5,333,334 shares of Common Stock and Series B warrants (“Series B Warrants,” and together with the Series A Warrants, the “Warrants”) to purchase up to 5,333,334 shares of Common Stock. The Series A Warrants have an exercise price of \$0.8073 per share and are exercisable at any time from February 28, 2025 through March 1, 2027. The Series B Warrants have an exercise price of \$0.8073 per share and are exercisable at any time from February 28, 2025 through February 28, 2030.

Each share of Common Stock and accompanying Series A Warrant and Series B Warrant were sold together at a combined offering price of \$0.75, for gross proceeds of \$4,000,000 before deducting the placement agent’s fees and related offering expenses, which totaled \$555,060. The offering closed on August 30, 2024.

The Company used the Black-Scholes-Merton option model (the “Black-Scholes Model”) to determine the fair value of warrants to purchase Common Stock of the Company, which is \$4,881,775. See the table below for the assumptions used in the Black-Scholes Model. The initial valuation was assigned to the Holdings Shares and the Warrants based on their relative fair values, with the initial valuation of the Holdings Shares being \$1,801,442 and Warrants being \$2,198,559.

Warrants to Purchase Preferred Stock of Networks

On September 3, 2024 and October 7, 2024, in connection with the Networks Secured Note, pursuant to the Agreement, Networks issued C&P warrants to purchase \$1,000,000 and \$500,000, respectively, in shares of preferred stock of Networks, \$0.00001 par value per share, at an exercise price of \$20.65 per share. (See Note 7 – Notes Payable for further details).

On November 13, 2024 and January 15, 2025, in connection with the November Networks Convertible Notes and January 2025 Networks Convertible Notes, Networks issued the investors warrants to purchase \$2,069,017 and \$2,930,983, respectively, in shares of preferred stock of Networks, \$0.00001 par value per share, at an exercise price of \$20.65 per share, of which \$2,000,000 is to the Company and has been eliminated in consolidation. (See Note 7 – Notes Payable for further details).

As of June 30, 2025, there were 157,339 warrants for shares of preferred stock in Networks outstanding based on a Conversion Price of \$41.3104, with a weighted average exercise price of \$20.65 and a weighted average remaining contractual life of 4.42 years.

Warrants to Purchase Common Stock of Networks

On June 3, 2024, the Company issued warrants to purchase 15,391 shares of Networks Common Stock, at an exercise price of \$2.75 per share, with a fair value of \$303,052, in consideration of consulting services for the Company. The warrants vest over a one-year period. The Company engaged a third-party service provider to carry out a valuation of Ondas Networks’ Common Stock to determine its fair value as of May 31, 2024. The Company recorded stock-based compensation of \$50,761 and \$101,523 in General and administrative expense on the unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2025, respectively, based on the valuation. The Company recorded stock-based compensation of \$100,007 in General and administrative expense on the unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2024, based on the valuation.

As of June 30, 2025, there were 15,391 fully vested warrants for shares of common stock in Networks outstanding, with a weighted average exercise price of \$2.75 and a weighted average remaining contractual life of 3.93 years.

Warrants to Purchase Common Stock of the Company

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.

A summary of our Warrants activity for the six months ended June 30, 2025 and related information follows:

	Number of Shares Under Warrant	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance as of January 1, 2025	26,490,110	\$ 1.70	3.84
Granted	9,600,000	0.00	
Exercised	(18,972,168)	0.52	
Cancelled	(289,253)	7.46	
Balance as of June 30, 2025	16,828,689	\$ 1.45	3.48

As of June 30, 2025, 2,800,000 of the outstanding warrants are Pre-Funded Warrant Shares and have been included in our Weighted average number of common shares outstanding, basic and diluted on the unaudited Condensed Consolidated Statements of Operations. On July 7, 2025, the remaining 2,800,000 of Pre-Funded Warrant Shares were exercised.

Total stock-based compensation expense for warrants for the three and six months ended June 30, 2025 was \$40,158 and \$80,317, respectively, and is recorded in General and administrative expense on the unaudited Condensed Consolidated Statements of Operations. Total stock-based compensation expense for warrants for the three and six months ended June 30, 2024 was \$63,773 and is recorded in General and administrative expense on the unaudited Condensed Consolidated Statements of Operations.

Stock Options to Purchase Common Stock

The Company awards stock options to certain employees, directors, and consultants, which represent the right to purchase common shares on the date of exercise at a stated exercise price. Stock options granted to employees generally vest over a two to four-year period and are contingent on ongoing employment. Compensation expenses related to these awards is recognized straight-line over the applicable vesting period. Stock options granted to consultants are subject to the attainment of pre-established performance conditions. 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 expenses related to these awards is recognized when the performance conditions are satisfied.

On January 7, 2025, the Compensation Committee granted Ron Stern stock options to purchase an aggregate of 2,876,944 shares of the Company's Common Stock in connection with his Directorship Agreement. The options have an exercise price of \$2.69, a term of 5 years and are contingent on ongoing employment. 1,918,059 options vest upon the earlier of: (a) on a quarterly basis over a two-year period following the grant date, or (b) the expiration of a 30-day period in which the average price per share of the Company in the applicable stock exchange is five dollars (or more) per share (the "Valuation Milestone"). 958,885 options vest upon the Valuation Milestone. The Company engaged a third-party service provider to carry out an appraisal of the options, who ran a Monte Carlo simulation to determine the fair value and the period over which the related expense shall be recognized as of January 7, 2025, which is \$4,125,352, to be recognized straight-line through November 25, 2026. They are included in compensation expenses.

On January 11, 2025, the Compensation Committee granted an aggregate of 2,123,550 stock options to purchase shares of the Company's Common Stock to certain employees, with an exercise price of \$2.24 and a term of 10 years. The stock options vest over a three-year period and are contingent on ongoing employment. They are included in compensation expenses.

On January 23, 2025, the Compensation Committee granted an aggregate of 90,000 stock options to purchase shares of the Company's Common Stock to certain employees, with an exercise price of \$2.37 and a term of 10 years. The stock options vest over a two-year period and are contingent on ongoing employment. They are included in compensation expenses.

On May 12, 2025, the Compensation Committee granted an aggregate of 1,341,450 stock options to purchase shares of the Company's Common Stock to certain employees, with an exercise price of \$0.77 and a term of 10 years. The stock options vest over a three-year period and are contingent on ongoing employment. They are included in compensation expenses.

On May 14, 2025, the Compensation Committee granted an aggregate of 6,770,000 stock options to purchase shares of the Company's Common Stock to certain employees, with an exercise price of \$0.86 and a term of 10 years. The stock options vest over a three-year period and are contingent on ongoing employment. They are included in compensation expenses.

On June 23, 2025, the Compensation Committee granted 100,000 stock options to purchase shares of the Company's Common Stock to a certain employee, with an exercise price of \$1.58 and a term of 10 years. The stock options vest over a two-year period and are contingent on ongoing employment. They are included in compensation expenses.

The assumptions used in the Monte Carlo simulation and Black-Scholes Model are set forth in the table below.

	Six Months Ended June 30, 2025
Stock price	\$ 0.77-2.69
Risk-free interest rate	3.86-4.65%
Volatility	59.05-88.69%
Expected life in years	5.00-5.77
Dividend yield	0.00%

A summary of our Option activity for the three and six months ended June 30, 2025 and related information follows:

	Number of Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance as of January 1, 2025	4,289,359	\$ 3.70	7.59
Granted	13,301,944	1.48	
Exercised	(22,082)	0.49	
Forfeited	(59,709)	1.16	
Canceled	(26,958)	1.46	
Balance as of June 30, 2025	17,482,554	\$ 2.03	8.29
Vested and Exercisable as of June 30, 2025	3,698,944	\$ 4.03	7.04

As of June 30, 2025, total unrecognized compensation expense related to non-vested stock options was \$12,041,871 which is expected to be recognized over a weighted average period of 2.41 years.

Total stock-based compensation expense for stock options for the three and six months ended June 30, 2025 and 2024 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
General and administrative	\$ 875,781	\$ 218,635	\$ 1,664,063	\$ 290,218
Sales and marketing	135,612	80,412	134,391	151,966
Research and development	136,060	37,089	205,197	77,405
Cost of goods sold	125,297	19,108	193,993	37,048
Total stock-based expense related to options	\$ 1,272,750	\$ 355,244	\$ 2,197,644	\$ 556,637

Restricted Stock Units

The Company awards Restricted Stock Units (“RSUs”) to certain employees and directors, which represent a right to receive common stock for each RSU that vests. Compensation expenses related to these awards is recognized straight-line over the applicable vesting period.

On January 11, 2025, the Compensation Committee granted an aggregate of 1,415,700 RSUs to certain employees. The RSUs vest in eight to twelve successive equal quarterly installments on March 16th, May 16th, August 16th and November 16th and are contingent on ongoing employment. They are included in compensation expenses.

On February 21, 2025, the Compensation Committee granted 60,606 fully vested RSUs in consideration of consulting services for the Company. They are included in compensation expenses.

On May 12, 2025, the Compensation Committee granted an aggregate of 2,406,800 RSUs to certain employees. The RSUs vest in eight to twelve successive equal quarterly installments on August 16th, November 16th March 16th, and May 16th and are contingent on ongoing employment. They are included in compensation expenses.

On May 12, 2025, the Compensation Committee granted an aggregate of 235,293 RSUs to directors. The RSUs vest in four successive equal quarterly installments with the first vesting date commencing on the first day of the next calendar quarter. They are included in compensation expenses.

On June 23, 2025, the Compensation Committee granted 100,000 RSUs to a certain employee. The RSUs vest in eight successive equal quarterly installments with the first vesting date commencing on September 23, 2025. They are included in compensation expenses.

A summary of our RSUs activity and related information is as follows:

	RSUs	Weighted Average Grant Date Fair Value	Weighted Average Vesting Period (Years)
Unvested balance at January 1, 2025	252,417	\$ 0.68	0.75
Granted	4,218,399	\$ 1.33	
Vested	(730,578)	\$ 1.44	
Unvested balance at June 30, 2025	3,740,238	\$ 1.26	1.75

As of June 30, 2025, there were 271,997 restricted stock units that were vested but not yet released due to administrative timing. As of June 30, 2025, the unrecognized compensation expense for RSUs was \$4,382,594.

Total stock-based compensation expense for RSUs for the three and six months ended June 30, 2025 and 2024 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
General and administrative	\$ 637,873	\$ 48,477	\$ 924,186	\$ 106,634
Sales and marketing	56,537	4,065	210,958	13,564
Research and development	52,768	211	103,561	715
Cost of goods sold	67,844	-	133,149	-
Total stock-based expense related to restricted stock units	\$ 815,022	\$ 52,753	\$ 1,371,854	\$ 120,913

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 have been reserved for issuance to employees, including officers, directors and consultants. The 2018 Plan is administered by the Board, provided however, that the Board may delegate such administration to the compensation committee of the Board of the Company (the “Compensation Committee”). Subject to the provisions of the 2018 Plan, the Board and/or the Compensation Committee has the authority to grant, in its discretion, incentive stock options, or non-statutory options, stock awards or restricted stock purchase offers (“Equity Awards”). As of June 30, 2025, the balance available to be issued under the 2018 Plan was 200,216.

In 2021, our stockholders adopted the Ondas Holdings Inc. 2021 Stock Incentive Plan (the “2021 Plan”). The purpose of the 2021 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 2021 Plan provides for the issuance of awards including stock options, stock appreciation rights, restricted stock, restricted stock units, and performance awards. On November 18, 2024, stockholders of the Company approved an amendment to the 2021 Plan to increase the number of shares of the Company’s Common Stock authorized for issuance under the 2021 Plan from 8,000,000 to 11,000,000 shares. On May 12, 2025, stockholders of the Company approved an amendment to the 2021 Plan to increase the number of shares of the Company’s Common Stock authorized for issuance under the 2021 Plan from 11,000,000 to 26,000,000 shares. As of June 30, 2025, the balance available to be issued under the 2021 Plan was 5,146,264.

NOTE 9 – REDEEMABLE NONCONTROLLING INTEREST

Series A-1 Preferred Stock

On July 9, 2023, Ondas Networks entered into a Preferred Stock Purchase Agreement with an initial purchaser named therein (the “Initial Purchaser”) to purchase preferred stock of Ondas Networks, \$0.00001 par value per share (the “Networks Preferred Stock”) and the issuance of warrants to purchase 10,200,000 shares of Ondas Holdings (the “Original Networks Agreement”).

The Preferred Stock accrues dividends at the rate per annum of eight percent (8%) of the original issue price, of \$34.955 per share (the “2023 Original Issue Price”). Such dividends are payable in cash or additional shares of Networks Preferred Stock, with such valuation based on the 2023 Original Issue Price. Each share of Networks Preferred Stock is convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of Networks Common Stock (as defined below) as is determined by dividing the 2023 Original Issue Price by the conversion price in effect at the time of conversion, which initially is set at \$34.955. In lieu of any fractional shares to which the holder would otherwise be entitled, the number of shares of Networks Common Stock to be issued upon conversion of the Networks Preferred Stock shall be rounded to the nearest whole share. The Networks Preferred Stock can be redeemed at the request of the holder at any time after the fifth anniversary for the greater of two times the initial investment plus accrued dividends or the amount that would be due if the Networks Preferred Stock was converted into Networks Common Stock as described above.

On July 21, 2023, Ondas Networks entered into a certain Amendment to Preferred Stock Purchase Agreement (the “Networks Amendment,” together with the Original Networks Agreement, the “2023 Networks Agreement”). Pursuant to the Networks Amendment, in exchange for an initial sale of shares of Networks Preferred Stock, the Initial Purchaser acquired the following (the “Initial Networks Closing”), for gross proceeds to Ondas Networks of \$11,508,517: (i) 329,238 shares of Networks Preferred Stock, at a purchase price of \$34.955 per share (the “Per Share Price”), convertible into shares of Common Stock of Ondas Networks, \$0.00001 par value per share (the “Networks Common Stock”) and (ii) warrants to purchase 7,825,792 shares of the Company Common Stock, at an exercise price of \$0.89 per share, exercisable commencing ninety days following the date of issuance through the fifth anniversary of the date of issuance (the “Initial Warrants”). Also, pursuant to the Networks Amendment, the Initial Purchaser agreed to purchase, and Ondas Networks agreed to sell and issue to the Initial Purchaser, an additional 99,885 shares of Networks Preferred Stock, at the Per Share Price (the “Second Initial Purchaser Closing”) and warrants to purchase 2,374,208 shares of Company Common Stock, at an exercise price of \$0.89 per share, exercisable commencing ninety days following the date of issuance through the fifth anniversary of the date of issuance (the “Second Initial Purchaser Warrants”), within thirty days of the Initial Networks Closing.

Ondas Networks will use the proceeds from the sale of the Networks Preferred Stock for working capital and other general corporate purposes, including fees related to the transactions contemplated by the 2023 Networks Agreement. No portion of the proceeds will be distributed to the Company.

Also on July 21, 2023, Ondas Networks completed the Initial Networks Closing. In connection with the Initial Networks Closing, the Company issued the Initial Warrants. Also, in connection with the Initial Closing, the parties entered into an indemnification agreement, investors' rights agreement, right of first refusal agreement, and voting agreement. Forms of each of these agreements are attached to Exhibit 10.1 to Form 8-K filed on July 28, 2023.

On August 11, 2023, Ondas Networks completed the Second Initial Purchaser Closing. In connection with the Second Initial Purchaser Closing, the Company issued Second Initial Purchaser Warrants. Following the Second Initial Purchaser Closing, the Initial Purchaser has invested an aggregate of \$15.0 million and owns a minority interest of approximately 28% of Ondas Networks.

The Company assessed the Networks Preferred Stock in accordance with ASC 480 and determined that it should be recorded as temporary equity and not as a liability. The initial valuation was assigned to the Networks Preferred Stock and the Initial Warrants and Second Initial Purchaser Warrants on relative fair values, with the initial valuation of the noncontrolling interest being \$10,406,949 and warrants being \$4,593,051. It is being accreted using the effective interest rate method over the five-year period to achieve the redemption value of \$30,000,000 plus accrued dividends.

Networks Series A-2 Preferred Stock

On February 26, 2024, Ondas Networks entered into a second Preferred Stock Purchase Agreement (the "Networks Agreement") for an investment of \$4.50 million in Ondas Networks (the "Networks Offering"). The Networks Agreement was entered into with the Networks Purchasers for the sale of shares of preferred stock for a purchase of \$4.50 million. The Networks Offering was consummated on February 26, 2024.

Pursuant to the Networks Agreement, the Networks Purchasers acquired the following in the Networks Offering for gross proceeds to Ondas Networks of \$4.5 million: (i) 108,925 shares of preferred stock of Networks Series A-2 Preferred Stock, at a purchase price of \$41.3104 per share (the "Per Share Price"), convertible into shares of Common Stock, \$0.00001 par value per share of Networks Common Stock and (ii) warrants to purchase 3,015,000 shares of the Company's Common Stock, at an exercise price of \$1.26 per share, exercisable commencing ninety days following the date of issuance through the fifth anniversary of the date of issuance (the "Holdings Warrants," and together with the Networks Series A-2 Preferred Stock, the "Networks Offering Securities").

The Networks Series A-2 Preferred Stock accrues dividends at the rate per annum of eight percent (8%) of the original issue price, of \$41.3104 per share (the "Original Issue Price"). Dividends shall be payable only when, as, and if declared by the board of directors of Ondas Networks and Ondas Networks shall be under no obligation to pay such dividends. Such dividends are payable in cash or additional shares of Networks Series A-2 Preferred Stock, with such valuation based on the Original Issue Price. Each share of Networks Series A-2 Preferred Stock is convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of Networks Common Stock as is determined by dividing the Original Issue Price by the conversion price in effect at the time of conversion, which initially is set at \$41.3104. In lieu of any fractional shares to which the holder would otherwise be entitled, the number of shares of Networks Common Stock to be issued upon conversion of the Networks Series A-2 Preferred Stock shall be rounded to the nearest whole share. The Networks Series A-2 Preferred Stock can be redeemed at the request of the Holder at any time after the fifth anniversary for the greater of the initial investment plus accrued dividends or the amount that would be due if the Networks Series A-2 Preferred Stock was converted into Networks Common Stock as described above.

Pursuant to the Networks Agreement, the Company entered into a registration rights agreement with the purchasers to register the resale of the Company's Common Stock underlying the Holdings Warrants pursuant to a registration statement to be filed no later 180 days following the closing of the Networks Offering. Also, pursuant to the Networks Agreement, the Networks Purchasers became parties to those certain investors' rights agreement, right of first refusal agreement, and voting agreement, dated July 21, 2023.

Ondas Networks used the proceeds from the sale of the Networks Offering Securities to immediately redeem an amount of shares of Networks Common Stock at the Per Share Price held by the Company that was equivalent to the amount of proceeds raised in the sale of the Networks Offering Securities.

The issuance of the Networks Offering Securities was exempt from registration requirements of the Securities Act pursuant to Section 4(2) of such Securities Act and Regulation D promulgated thereunder based upon the representations of each of the Networks Purchasers that it was an "accredited investor" (as defined under Rule 501 of Regulation D) and that it was purchasing such securities without a present view toward a distribution of the securities. In addition, there was no general advertisement conducted in connection with the sale of the Networks Offering Securities. See the Current Report on Form 8-K filed with the SEC on February 26, 2024 for further details.

The Company assessed the Networks Series A-2 Preferred Stock in accordance with ASC 480 and determined that it should be recorded as temporary equity and not as a liability. The initial valuation was assigned to the Networks Series A-2 Preferred Stock and the Warrants based on relative fair values, with the initial valuation of the noncontrolling interest being \$3,028,806 and warrants being \$1,471,194. It is being accreted using the effective interest rate method over the five-year period to achieve the redemption value of \$4,500,000 plus accrued dividends.

The Company recorded accrued dividends of \$780,000 and accretion of \$1,695,607 for the six months ended June 30, 2025, in aggregate. The Company recorded accrued dividends of \$724,138 and accretion of \$1,357,140 for the six months ended June 30, 2024, in aggregate.

NOTE 10 – 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. Segment operating loss and segment loss before provision for income taxes are the measures of profit and loss used by the CODM to assess performance and to decide how to allocate resources for each of the Company's reportable segments. Segment operating loss and segment loss before provision for income taxes are used to monitor actual results versus planned and prior period results for each segment based on their respective profitability objectives and business models. Segment operating loss and segment loss before provision for income taxes are also used to allocate human and capital resources among the reportable segments. The Company determined it has two reportable segments, Ondas Networks and OAS, as the CODM reviews financial information for these two businesses separately. The Company has no inter-segment sales. The Company's revenue and significant expenses by segment regularly reviewed by the CODM, and other segment items for the three and six months ended June 30, 2025 and 2024 are as follows:

	Three Months Ended June 30, 2025			Three Months Ended June 30, 2024		
	Ondas Networks	OAS	Total	Ondas Networks	OAS	Total
Product revenue	\$ -	\$ 3,605,020	\$ 3,605,020	\$ 22,484	\$ -	\$ 22,484
Service and subscription revenue	7,018	2,488,909	2,495,927	-	298,553	298,553
Development revenue	172,441	-	172,441	636,814	-	636,814
Revenue, net	179,459	6,093,929	6,273,388	659,298	298,553	957,851
Cost of goods sold	446,242	2,495,076	2,941,318	573,483	575,263	1,148,746
Gross profit (loss)	(266,783)	3,598,853	3,332,070	85,815	(276,710)	(190,895)
Operating expenses:						
General and administration	771,461	3,735,396	4,506,857	1,438,503	2,198,512	3,637,015
Sales and marketing	684,186	1,581,529	2,265,715	505,828	792,877	1,298,705
Research and development	1,167,418	3,069,510	4,236,928	1,613,699	1,026,304	2,640,003
Segment operating loss	(2,889,848)	(4,787,582)	(7,677,430)	(3,472,215)	(4,294,403)	(7,766,618)
Interest income	1,783	-	1,783	12,360	-	12,360
Interest expense	(1,755,280)	(88,209)	(1,843,489)	(3,750)	(235,921)	(239,671)
Other segment items	(17,954)	(172,920)	(190,874)	-	650,129	650,129
Segment loss before provision for income taxes	\$ (4,661,299)	\$ (5,048,711)	\$ (9,710,010)	\$ (3,463,605)	\$ (3,880,195)	\$ (7,343,800)
Corporate operating expenses	-	-	(1,571,674)	-	-	(536,972)
Elimination of intercompany interest	-	-	1,267,893	-	-	228,988
Corporate interest income	-	-	248,557	-	-	74,916
Corporate interest expense	-	-	(984,916)	-	-	(692,868)
Loss before income taxes	-	-	\$ (10,750,150)	-	-	\$ (8,269,736)

	Six Months Ended June 30, 2025			Six Months Ended June 30, 2024		
	Ondas Networks	OAS	Total	Ondas Networks	OAS	Total
Product revenue	\$ -	\$ 6,828,993	\$ 6,828,993	\$ 24,758	\$ -	\$ 24,758
Service and subscription revenue	18,716	3,286,052	3,304,768	14,410	593,730	608,140
Development revenue	387,809	-	387,809	931,962	18,000	949,962
Revenue, net	406,525	10,115,045	10,521,570	971,130	611,730	1,582,860
Cost of goods sold	827,890	4,873,060	5,700,950	990,101	1,178,636	2,168,737
Gross profit (loss)	(421,365)	5,241,985	4,820,620	(18,971)	(566,906)	(585,877)
Operating expenses:						
General and administration	1,626,861	7,151,618	8,778,479	2,843,754	4,553,430	7,397,184
Sales and marketing	1,433,180	3,262,645	4,695,825	1,152,285	1,454,000	2,606,285
Research and development	2,390,669	5,305,739	7,696,408	3,551,860	2,601,118	6,152,978
Segment operating loss	(5,872,075)	(10,478,017)	(16,350,092)	(7,566,870)	(9,175,454)	(16,742,324)
Interest income	1,918	-	1,918	74,923	-	74,923
Interest expense	(2,732,908)	(172,308)	(2,905,216)	(7,500)	(427,259)	(434,759)
Other segment items	(18,966)	(330,769)	(349,735)	(33)	586,383	586,350
Segment loss before provision for income taxes	\$ (8,622,031)	\$ (10,981,094)	\$ (19,603,125)	\$ (7,499,480)	\$ (9,016,330)	\$ (16,515,810)
Corporate operating expenses	-	-	(3,209,450)	-	-	(688,461)
Elimination of intercompany interest	-	-	1,530,152	-	-	417,963
Corporate interest income	-	-	449,228	-	-	109,854
Corporate interest expense	-	-	(4,053,305)	-	-	(1,469,366)
Loss before income taxes	-	-	\$ (24,886,500)	-	-	\$ (18,145,820)

Additional segment information is set forth below as of and for the three and six months ended June 30, 2025 and 2024:

	Three Months Ended June 30, 2025			Three Months Ended June 30, 2024		
	Ondas Networks	OAS	Total	Ondas Networks	OAS	Total
Depreciation and amortization	\$ 67,397	\$ 1,176,876	\$ 1,244,273	\$ 32,631	\$ 1,131,980	\$ 1,164,611
Stock-based compensation	\$ 425,066	\$ 1,753,627	\$ 2,178,693	\$ 190,606	\$ 217,391	\$ 407,997
Capital expenditures	\$ -	\$ 95,826	\$ 95,826	\$ 592,562	\$ 501,589	\$ 1,094,151

	Six Months Ended June 30, 2025			Six Months Ended June 30, 2024		
	Ondas Networks	OAS	Total	Ondas Networks	OAS	Total
Total assets	\$ 43,220,366	\$ 108,730,440	\$ 151,950,806	\$ 12,648,854	\$ 69,872,082	\$ 82,520,936
Goodwill	\$ -	\$ 27,751,921	\$ 27,751,921	\$ -	\$ 27,751,921	\$ 27,751,921
Depreciation and amortization	\$ 144,704	\$ 2,342,147	\$ 2,486,851	\$ 57,731	\$ 2,282,162	\$ 2,339,893
Stock-based compensation	\$ 858,620	\$ 2,892,718	\$ 3,751,338	\$ 328,094	\$ 349,456	\$ 677,550
Capital expenditures	\$ -	\$ 266,693	\$ 266,693	\$ 957,382	\$ 1,324,855	\$ 2,282,237

NOTE 11 – INCOME TAXES

The Company had a net deferred tax asset of \$77.5 million as of December 31, 2024, including a tax benefit of \$69.4 million from net operating loss carry-forwards. A valuation allowance of \$77.5 million was provided against this asset resulting in deferred assets, net of valuation allowance of \$0.

As of December 31, 2024, the Company and Ondas Networks, respectively, had Federal net operating loss carryforwards (“NOLs”) of approximately \$1 million and \$15 million generated in 2007 to 2017 which will begin to expire in 2027 through 2037. Additionally, as of December 31, 2024, the Company and Ondas Networks had Federal NOLs of \$73 million and \$59 million, respectively, generated in 2018 through 2024 that have no expiration. As of December 31, 2024, the Company and Ondas Networks had State NOLs available to offset future taxable income of \$49 million and \$93 million, respectively, expiring from 2038 through 2044. As of December 31, 2024, the Company and Ondas Networks had approximately \$0 and \$752,000, respectively, of Federal research and development credits available to offset future tax liability expiring from 2038 through 2040. As of December 31, 2024, the Company had approximately \$134 million and \$127 million of Israeli NOL’s. The Company’s Federal income tax returns for the 2021 to 2023 tax years remain open to examination by the IRS. Upon utilization of Federal NOLs in the future, the IRS may examine records from the year the loss occurred, even if outside the three-year statute of limitations. The Company’s State tax returns also remain open to examination. The Company’s Israeli income tax returns for the 2020 to 2023 tax years remain open to examination.

In assessing the realization of deferred tax assets, including the NOLs, the Company assesses the available 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 net deferred tax assets as their future utilization remains uncertain at this time.

In accordance with Section 382 of the Internal Revenue code, the usage of the Company’s Federal Carryforwards could be limited in the event of a change in ownership. 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.

The Company applies the FASB’s provisions for uncertain tax positions. The Company utilizes the two-step process to determine the amount of recognized tax benefit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the unaudited Condensed Consolidated Financial Statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties associated with uncertain tax positions as a component of income tax expense.

As of June 30, 2025 and December 31, 2024, 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.

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 June 30, 2025.

On October 27, 2023, the Company reached a settlement agreement for legal proceedings related to Ardenna in which the Company is entitled to receive \$600,000 in reimbursements for legal fees related to the proceedings. As of June 30, 2025, the Company received \$550,000 from the settlement agreement, of which \$0 and \$450,000 is recorded in General and administrative expense on the unaudited Condensed Consolidated Statements of Operations for the six months ended June 30, 2025 and 2024, respectively.

On June 6, 2024, Airobotics filed a Notice of Non-Payment with the Abu Dhabi Civil Courts in connection with a customer's lack of payment relating to a purchase order and breach of a settlement agreement in relation to such purchase order. A performance order was filed on July 11, 2024, and rejected on July 17, 2024 by the Abu Dhabi Civil Courts. On July 30, 2024, Airobotics appealed the rejection of the performance order. On August 28, 2024, the Abu Dhabi Civil Court of Appeals accepted the appeal and appointed an expert to review the case. On October 9, 2024, the Abu Dhabi Civil Court of Appeals ruled in favor of Airobotics for the full amount of the initial purchase order less amounts paid to date by the customer (without taking into consideration the terms of the settlement agreement breached by the customer), which resulted in a total award of \$2,138,945 plus interest and expenses. On June 17, 2025, we entered into a second settlement agreement whereby we waived the outstanding balance due to the Company in exchange for return of the inventory, which is in process.

War in Israel

On October 7, 2023, the State of Israel, where Airobotics' main offices and facilities are located, suffered a surprise attack by hostile forces from the Gaza Strip, which led to the Security Cabinet of the State of Israel declaring a state of war in Israel. This military operation and related activities are on-going as of the date of this filing.

The Company is closely monitoring how the military operation and related activities could adversely affect its anticipated milestones and its Israel-based activities to support future operations, including the Company's ability to import materials that are required to construct the Optimus System™ and to ship them outside of Israel. Although there have been disruptions in our business and operations, the Company has determined that there have not been any materially adverse effects on its business or operations. The Company does not believe the disruptions in its business and operations will have an enduring impact on its business and operations, but it continues to monitor the situation, as any future escalation or change could result in a material adverse effect on the ability of the Company's Israeli office to support the Company's activities. The Company does not have any specific contingency plans in the event of any such escalation or change.

NOTE 13 – RELATED PARTY TRANSACTIONS

As of June 30, 2025 and December 31, 2024, the Company owed \$0 and \$12,500 to independent directors, respectively, related to accrued compensation, which is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets.

Networks Convertible Notes (See Note 7 – Notes Payable)

On July 8, 2024, July 23, 2024, and November 13, 2024 C&P elected to purchase Convertible Notes in Networks in the aggregate original principal amount of \$700,000, \$800,000, and \$1,000,000, respectively, (the "C&P Networks Convertible Notes"). Joseph Popolo, a former director of the Company, is the sole control person of C&P.

Along with the November 13, 2024 Networks Convertible Notes, Networks issued C&P warrants to purchase \$1,000,000 in shares of preferred stock of Networks, \$0.00001 par value per share, at an exercise price of \$20.65 per share (the "C&P Warrants"). The number of C&P warrants exercisable under the Networks SPA is calculated by \$1,000,000 divided by the Conversion Price, which is the amount equal to the price per share of Networks' most senior series of Preferred Stock issued to investors in Networks' next equity financing date, or if none, then \$41.3104. The warrants are exercisable commencing November 13, 2024 through November 13, 2029. The C&P Warrants have a relative fair value of \$371,031, which was recorded as debt discount.

As of June 30, 2025, the total outstanding principal on the C&P Networks Convertible Notes was \$2,387,802, net of unamortized debt discount of \$106,009 and unamortized issuance costs of \$6,189. As of December 31, 2024, the total outstanding principal on the C&P Networks Convertible Notes was \$2,159,328, net of unamortized debt discount of \$314,570 and unamortized issuance costs of \$26,102. Accrued interest as of June 30, 2025 and December 31, 2024 was \$149,315 and \$54,356, respectively, and is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. For the three months ended June 30, 2025, we recognized interest expense of \$47,370 and amortization expense of \$114,868 related to debt discount and issuance costs. For the six months ended June 30, 2025, we recognized interest expense of \$94,959 and amortization expense of \$228,474 related to debt discount and issuance costs. Interest expense and amortization expense related to debt discount and issuance costs are included in Interest expense on the unaudited Condensed Consolidated Statements of Operations. No principal or interest has been paid since the C&P Networks Convertible Notes were issued.

OAS Convertible Notes (See Note 7 – Notes Payable)

In October and December 2024, C&P elected to purchase Convertible Notes in OAS in the aggregate original principal amount of \$2,000,000 (the “C&P OAS Convertible Notes”). Joseph Popolo, a former director of the Company, is the sole control person of C&P. On May 26, 2025 C&P assigned \$30,000 of the C&P OAS Convertible Notes to a non-related party. As of June 30, 2025, the total outstanding principal on the C&P OAS Convertible Notes was \$1,965,110 net of unamortized issuance costs of \$4,890. As of December 31, 2024, the total outstanding principal on the C&P OAS Convertible Notes was \$1,985,624, net of unamortized issuance costs of \$14,376. Accrued interest as of June 30, 2025 and December 31, 2024 was \$60,879 and \$12,808, respectively, and is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. For the three months ended June 30, 2025, we recognized interest expense of \$23,414 and amortization expense of \$4,764 related to the issuance costs. For the six months ended June 30, 2025, we recognized interest expense of \$48,071 and amortization expense of \$9,486 related to the issuance costs. Interest expense and amortization expense related to issuance costs are included in Interest expense on the unaudited Condensed Consolidated Statements of Operations. No principal or interest has been paid since the C&P OAS Convertible Notes were issued.

On October 10, 2024, Privet Ventures LLC, an entity affiliated with Eric Brock, Chairman and Chief Executive Officer of the Company and OAS, elected to purchase a Convertible Note in OAS in the original principal amount of \$1,000,000 (the “Privet OAS Convertible Note”). As of June 30, 2025, the total outstanding principal on the Privet OAS Convertible Note was \$997,518, net of unamortized issuance costs of \$2,482. As of December 31, 2024, the total outstanding principal on the Privet OAS Convertible Note was \$992,812, net of unamortized issuance costs of \$7,188. Accrued interest as of June 30, 2025 and December 31, 2024 was \$35,753 and \$11,233, respectively, and is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. For the three months ended June 30, 2025, we recognized interest expense of \$12,191 and amortization expense of \$2,345 related to the issuance costs. For the six months ended June 30, 2025, we recognized interest expense of \$24,521 and amortization expense of \$4,706 related to the issuance costs. Interest expense and amortization expense related to issuance costs are included in Interest expense on the unaudited Condensed Consolidated Statements of Operations. No principal or interest has been paid since the Privet OAS Convertible Note was issued.

Networks Secured Note (See Note 7 – Notes Payable)

On September 3, 2024, Networks entered into the C&P Security Agreement with C&P, in which Networks may draw, and C&P shall loan Networks, up to \$1,500,000. Pursuant to the Security Agreement, Networks issued C&P a secured note in the amount of \$1,500,000, which amount may be increased or decreased by the mutual written agreement of the parties thereto (the “Networks Secured Note”). As of December 31, 2024, Networks has drawn a total of \$1,500,000 on the Networks Secured Note.

On September 3, 2024 and October 7, 2024, pursuant to the C&P Security Agreement, Networks issued C&P warrants to purchase \$1,000,000 and \$500,000, respectively, in shares of preferred stock of Networks, \$0.00001 par value per share, at an exercise price of \$20.65 per share. The number of warrants exercisable under the C&P Security Agreement is calculated by \$1,500,000 divided by the Conversion Price, which is the amount equal to the price per share of Networks’ most senior series of Preferred Stock issued to investors in Networks’ next equity financing date, or if none, then \$41.3104. The warrants are exercisable commencing September 3, 2024 through September 3, 2029 and October 7, 2024 through October 7, 2029, respectively. The C&P Warrants have a total relative fair value of \$556,554, which was recorded as debt discount. Joseph Popolo, a former director of the Company, is the sole control person of C&P.

As of June 30, 2025, the total outstanding principal on the Networks Secured Note was \$1,500,000. As of December 31, 2024, the total outstanding principal on the Networks Secured Note was \$1,273,216, net of unamortized debt discount of \$201,135 and unamortized issuance costs of \$25,649. Accrued interest as of June 30, 2025 and December 31, 2024 was \$95,956 and \$37,107, respectively, and is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. For the three months ended June 30, 2025, we recognized interest expense of \$29,260 and amortization expense of \$0 related to the debt discount and issuance costs. For the six months ended June 30, 2025, we recognized interest expense of \$58,849 and amortization expense of \$226,784 related to the debt discount and issuance costs. No principal or interest has been paid since the Networks Secured Note was issued.

Sale of Common Stock in Ondas Holdings and Warrants to Purchase Common Stock of OAS (See Note 8 – Stockholders' Equity).

On February 26, 2024, the Company completed a direct registered offering with certain purchasers with respect to the sale of (i) an aggregate of 3,616,071 shares Common Stock of the Company and (ii) warrants to purchase an aggregate of 3,616,071 shares of OAS's common stock \$0.0001 par value per share, at an exercise price of \$1.29 for gross proceeds of \$4,050,000 (the "2024 Direct Registered Offering"). See Note 8 – Stockholders' Equity, Sale of Common Stock in Ondas Holdings and Warrants to Purchase Common Stock of OAS, for further details. In connection with the 2024 Direct Registered Offering, C&P paid \$2,000,000 for 1,785,714 shares of Common Stock of the Company and warrants to purchase 1,785,714 shares of OAS common stock. Joseph Popolo, a former director of the Company, is the sole control person of C&P.

Networks Series A-1 Preferred Stock (See Note 9 – Redeemable Noncontrolling Interest).

On July 21, 2023 and August 11, 2023, Ondas Networks completed the first and second tranche of a private placement with Stage 1 Growth Fund LLC (Series WAVE, Class A) (the "SPV"), respectively. See Note 9 – Redeemable Noncontrolling Interest, Networks Series A-1 Preferred Stock, for further details.

C&P is the proxy for the members of the SPV, and the manager of the SPV must act in accordance with C&P's direction with respect to exercise and voting of the issuer's securities and derivative securities held by the SPV. Joseph Popolo, a former director of the Company, is the sole control person of C&P.

Networks Series A-2 Preferred Stock (See Note 9 – Redeemable Noncontrolling Interest).

On February 26, 2024, Ondas Networks completed a private placement with certain purchasers with respect to the sale of (i) 108,925 shares of preferred stock of Ondas Networks, \$0.00001 par value per share ("Networks Preferred Stock"), at a purchase price of \$41.3104 per share convertible into shares of Networks Common Stock and (ii) warrants to purchase 3,015,000 shares of Common Stock of the Company, at an exercise price of \$1.26 per share for gross proceeds to Ondas Networks of \$4,500,000 (the "2024 Private Placement"). See Note 9 – Redeemable Noncontrolling Interest, Networks Series A-2 Preferred Stock, for further details. In connection with the 2024 Private Placement, C&P paid \$250,000 for 6,051 shares of Networks Preferred Stock and warrants to purchase 167,500 shares of Common Stock of the Company. Joseph Popolo, a former director of the Company, is the sole control person of C&P.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events as of August 12, 2025, the date the unaudited Condensed Consolidated Financial Statements were issued according to the requirements of ASC topic 855.

Subsequent to June 30, 2025, the Company issued 6,950,574 shares as a result of Installment Conversions on the 2024 Additional Notes, repaying the 2024 Additional Notes in full.

Subsequent to June 30, 2025, the remaining 2,800,000 of Pre-Funded Warrant Shares were exercised and issued.

On August 8, 2025, the Company made a strategic investment in Rift Dynamics AS, a Norway-based defense technology company specializing in affordable, mass-producible combat drone systems. Through this partnership, American Robotics will exclusively introduce and distribute Rift's Wasp platform to the U.S. defense market. Eric Brock, Chairman and Chief Executive Officer of the Company, is expected to join the Rift Dynamics Board of Directors upon closing of the investment and partnership agreement.

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

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 Holdings,” “we,” “our,” or the “Company”). This discussion should be read together with our unaudited 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, 2024, filed with the Securities and Exchange Commission (the “SEC”) on March 12, 2025, including the audited consolidated financial statements and notes included therein as of and for the year ended December 31, 2024 (“2024 Form 10-K”). 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 subsidiaries Ondas Networks Inc., a Texas corporation (“Ondas Networks”), Ondas Autonomous Systems Inc., a Nevada corporation (“OAS”), which wholly-owns Airobotics Ltd., an Israeli company (“Airobotics”), and American Robotics, Inc., a Delaware corporation (“American Robotics”).

Ondas Networks provides wireless connectivity solutions. OAS provides drone and automated data solutions through its subsidiaries Airobotics and American Robotics. Ondas Networks and OAS together provide users in defense, homeland security, and critical infrastructure markets with improved connectivity, data collection capabilities, and data collection and information processing capabilities. We operate Ondas Networks and OAS as separate business segments, and the following is a discussion of each segment. See Note 1, Note 2, and Note 10 of the accompanying unaudited Condensed Consolidated Financial Statements for further information regarding our segments.

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, drone operations, 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. 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 802.16 standard. Because standards-based communications solutions are preferred by our mission-critical customers and ecosystem partners, we continue to take a leadership position in IEEE as it relates to wireless networking for industrial markets.

We design, develop, manufacture, sell and support FullMAX, our patented, Software Defined Radio platform for secure, private, wide-area broadband networks. Our customers install FullMAX systems in order to upgrade and expand their legacy wide-area network infrastructure. By upgrading their legacy systems, customers benefit from significant increases in data throughput which enables new applications. We have targeted the North American freight rail operators for the initial adoption of our FullMAX platform. These rail operators currently operate legacy communications systems utilizing dated narrowband wireless technologies for voice and data communications. These legacy wireless networks have limited data capacity and are unable to support the adoption of new, intelligent train control and management systems. The freight rail operators through the Association of American Railroads (“AAR”), its advisory subsidiary MxV Rail, as well as the American Railway Engineering and Maintenance Association, have adopted the IEEE 802.16 standard for future private wireless networks. The IEEE 802.16t Direct Peer-to-Peer protocol has been selected by the AAR as the new standard for Next Generation head-of-train / end-of-train (“HOT-EOT”) communications or “NGHE Gen4.” This new protocol for train telemetry operations enables new safety and operational improvements to existing HOT-EOT applications.

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 security, more reliability and significant data throughput 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 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.

Industry Partnerships

Ondas Networks continues to develop partnerships in the rail space to develop and market wireless communications products and services based on Ondas Networks' technology. Our partnership with Siemens Mobility ("Siemens") is geared to market our FullMAX-based networking technology and services and to jointly develop certain wireless communications products for the North American Rail Industry based on Siemens' Advanced Train Control System protocol and our FullMAX MC-IoT platform. We are working with other industry partners to commercialize our platform technologies for specific use cases and to drive broad industry adoption of 4G/LTE applications.

OAS Segment

Our OAS business unit develops and integrates drone-based solutions focusing on high-performance critical applications for government and Tier-1 commercial enterprises. Ondas is marketing comprehensive drone-based solutions to address the needs of governmental and commercial customers based on its commercially available platforms: the Optimus System™, a fully autonomous drone platform capable of continuous and multipurpose aerial data capturing and analytics, and the Iron Drone Raider™, a fully autonomous interceptor drone designed to neutralize small hostile drones.

Our unique, fully autonomous platforms enable cutting-edge aerial capabilities and are designed to serve and protect critical infrastructure and operations. Our business focuses on end-user entities in defense, homeland security, public safety, smart city, airport authorities, and other governmental entities together with commercial operators of critical industrial and technology facilities such as oil & gas, seaports, mining, and heavy construction as well as for data centers and semiconductor fabs. For these industries, OAS provides specialized real-time aerial data capturing and aerial protection solutions in the most complex environments such as urban areas, sensitive and critical facilities and field area operations, and high-priority projects. In addition, we offer a wide suite of supplementary, enabling services for successful implementation such as AI data analytics, data automation, IT implementation, safety planning, certification, training, and maintenance, handling all the complex aspects of such high-performance drone operations.

Our portfolio companies, American Robotics and Airobotics, form a unique, powerful, and synergistic combination covering all the aspects required for successful Aerospace business together with data technologies and services for digital transformation industries. Our companies are specialized in addressing all the challenges arising along these types of product lifecycles including research and development, manufacturing, certification, and ongoing support.

OAS and its portfolio companies have already gained a track record of industry-leading regulatory successes including the securing of the first-of-its-kind Type Certification ("TC") from the Federal Aviation Administration ("FAA") for the Optimus 1-EX UAV on September 25, 2023, becoming the first autonomous security data capture UAV to achieve this distinction. TC, recognized as the highest echelon of Airworthiness Certification, streamline operational approvals for broad flight operations over people and infrastructure. The certification verifies the compliance of the system's design with the required FAA airworthiness and noise standards, ensuring safe operation within the US National Airspace System thereby significantly broadening the range of operational scenarios and scaling up of operations for automated UAS. Achieving FAA TC will enable drone operations beyond-visual-line-of-sight without a human operator on-site. With a strong footprint in the US market and worldwide, we believe that OAS is well-positioned with proven technology, a unique offering, and strong capabilities to strategically transform critical operations with our cutting-edge drone tech and capabilities.

War in Israel

On October 7, 2023, the State of Israel, where Airobotics' main offices and facilities are located, suffered a surprise attack by hostile forces from the Gaza Strip, which led to the Security Cabinet of the State of Israel declaring a state of war in Israel. This military operation and related activities are on-going as of the date of this filing.

The Company is closely monitoring how the military operation and related activities could adversely affect its anticipated milestones and its Israel-based activities to support future operations, including the Company's ability to import materials that are required to construct the Optimus System™ and to ship them outside of Israel. Although there have been disruptions in our business and operations, the Company has determined that there have not been any materially adverse effects on its business or operations. The Company does not believe the disruptions in its business and operations will have an enduring impact on its business and operations, but it continues to monitor the situation, as any future escalation or change could result in a material adverse effect on the ability of the Company's Israeli office to support the Company's activities. The Company does not have any specific contingency plans in the event of any such escalation or change.

Results of Operations

Three months ended June 30, 2025 compared to three months ended June 30, 2024

	Three Months Ended June 30,		
	2025	2024	Increase (Decrease)
Revenue, net	\$ 6,273,388	\$ 957,851	\$ 5,315,537
Cost of goods sold	2,941,318	1,148,746	1,792,572
Gross profit	3,332,070	(190,895)	3,522,965
Operating expenses:			
General and administrative	6,078,531	4,163,987	1,914,544
Sales and marketing	2,265,715	1,308,705	957,010
Research and development	4,236,928	2,640,003	1,596,925
Total operating expenses	12,581,174	8,112,695	4,468,479
Operating loss	(9,249,104)	(8,303,590)	(945,514)
Total other income (expense), net	(1,501,046)	33,854	(1,534,900)
Net loss	\$ (10,750,150)	\$ (8,269,736)	\$ (2,480,414)

Revenues

	Three Months Ended June 30,		
	2025	2024	Increase (Decrease)
Revenue, net			
Ondas Networks	\$ 179,459	\$ 659,298	\$ (479,839)
OAS	6,093,929	298,553	5,795,376
Total	\$ 6,273,388	\$ 957,851	\$ 5,315,537

Our revenues increased by \$5,315,537 to \$6,273,388 for the three months ended June 30, 2025, compared to \$957,851 for the three months ended June 30, 2024. Revenues during the three months ended June 30, 2025, included \$3,605,020 for products, \$2,495,927 for service and subscriptions, and \$172,441 for development agreements, primarily with Siemens. Revenues during the three months ended June 30, 2024, included \$22,484 for products, \$298,553 for service and subscriptions, and \$636,814 for development agreements, primarily with Siemens. The increase in our revenues were primarily the result of approximately \$3,583,000 in increased product sales and approximately \$2,197,000 in increased service and subscription revenue, primarily due to OAS having multi-drone sales with associated services in the three months ended June 30, 2025, but no comparable sales in the three months ended June 30, 2024. These increases were partially offset by a decrease of approximately \$464,000 in development revenue, primarily with Siemens, as further orders have been delayed by the railroads as they work on implementing the 900 MHz band network.

Cost of goods sold

	Three Months Ended June 30,		
	2025	2024	Increase (Decrease)
Cost of goods sold			
Ondas Networks	\$ 446,242	\$ 573,483	\$ (127,241)
OAS	2,495,076	575,263	1,919,813
Total	<u>\$ 2,941,318</u>	<u>\$ 1,148,746</u>	<u>\$ 1,792,572</u>

Our cost of goods sold increased by \$1,792,572 to \$2,941,318 for the three months ended June 30, 2025, compared to \$1,148,746 for the three months ended June 30, 2024. The increase in cost of goods sold was primarily a result of increased revenue for the three months ended June 30, 2025, as compared to the three months ended June 30, 2024. Cost of goods sold at OAS did not increase in the same ratio as revenue due to the increase in product revenue at OAS, which included sales of our Iron Drone Raider™, which has higher margins compared to service and non-recurring engineering development revenue recognized for the three months ended June 30, 2024.

Gross profit (loss)

	Three Months Ended June 30,		
	2025	2024	Increase (Decrease)
Gross profit (loss)			
Ondas Networks	\$ (266,783)	\$ 85,815	\$ (352,598)
OAS	3,598,853	(276,710)	3,875,563
Total	<u>\$ 3,332,070</u>	<u>\$ (190,895)</u>	<u>\$ 3,522,965</u>

Our gross profit increased by \$3,522,965 to \$3,332,070 for the three months ended June 30, 2025 compared to a gross loss of \$190,895 for the three months ended June 30, 2024. Gross margin for the three months ended June 30, 2025 and 2024 was 53% and (20%), respectively. The increase in gross margin of 73% is primarily related to the increase in product revenue at OAS, which has higher gross margins as compared to the service and non-recurring engineering development revenue recognized in the three months ended June 30, 2024.

Operating Expenses

	Three Months Ended June 30,		
	2025	2024	Increase
Operating expenses:			
General and administrative	\$ 6,078,531	\$ 4,163,987	\$ 1,914,544
Sales and marketing	2,265,715	1,308,705	957,010
Research and development	4,236,928	2,640,003	1,596,925
Total	<u>\$ 12,581,174</u>	<u>\$ 8,112,695</u>	<u>\$ 4,468,479</u>

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

	Three Months Ended June 30,	
	2025	2024
Human resource costs, including benefits	57%	43%
Travel and entertainment	2%	2%
Other general and administration costs:		
Professional fees and consulting expenses	8%	10%
Other expense	5%	14%
Depreciation and amortization	11%	15%
Other research and deployment costs, excluding human resources and travel and entertainment	15%	14%
Other sales and marketing costs, excluding human resources and travel and entertainment	2%	2%

Operating expenses increased by \$4,468,479, or 55%, as a result of the following items:

Human resource costs, including benefits	\$ 3,591,451
Travel and entertainment	134,086
Other general and administration costs:	
Professional fees and consulting expenses	248,032
Other expense	(551,154)
Depreciation and amortization	140,028
Other research and development costs, excluding human resources and travel and entertainment	806,399
Other sales and marketing costs, excluding human resources and travel and entertainment	99,637
	<u>\$ 4,468,479</u>

The increase in operating expenses was primarily due to:

- (i) An increase of approximately \$3,591,000 in human resource costs, including an increase in stock-based compensation at the Company of approximately \$1,597,000 for new stock options and Restricted Stock Units ("RSUs") granted during the three months ended June 30, 2025, an increase of approximately \$737,000 in salary and benefit expense related to an increase in headcount and bonus expense in our general and administration department, an increase of approximately \$603,000 in salary and benefit expense related to an increase in headcount and bonus expense in our research and development department, an increase of approximately \$654,000 in salary and benefit expense related to an increase in headcount and bonus expense in our sales and marketing department, as we work on improving sales;
- (ii) An increase of approximately \$134,000 in travel and entertainment, primarily related to increased travel for sales and product demonstration opportunities and increased trade show attendance;
- (iii) An increase of approximately \$248,000 in professional fees and consulting expenses, primarily related to legal fee costs associated with debt repayments, the shelf registration, and other corporate matters;
- (iv) A decrease of approximately \$551,000 in other expense, of which approximately \$436,000 relates to reduced rent and facilities charges primarily at Ondas Networks who was paying two office leases during the three months ending June 30, 2024 as compared to one lease during the three months ended June 30, 2025 and a reimbursement of approximately \$90,000 for common area charges under Ondas Networks' current office lease. Approximately \$58,000 relates to a reduction in the Company's D&O, E&O and general liability insurance expense, and approximately \$57,000 relates to a reduction in freight expenses and general office purchases;

- (v) An increase of approximately \$140,000 in depreciation and amortization related to additional purchases of equipment in the second half of 2024 and first half of 2025; and
- (vi) An increase of approximately \$806,000 in other research and development costs, excluding human resources and travel and entertainment, of which an increase of approximately \$1,205,000 occurred at OAS related to an increase of approximately \$470,000 in use of third-party contractor and consultants and software expenses as we invest in improving our current product line, a one-time settlement of approximately \$592,000 for all amounts due to a vendor under previous development and manufacturing agreements, which reduced other research and development costs, excluding human resources and travel and entertainment, during the three months ended June 30, 2024, and approximately \$143,000 in grant proceeds from the IIA which reduced other research and development costs, excluding human resources and travel and entertainment, during the three months ended June 30, 2024. This increase was offset by a decrease of approximately \$399,000 at Ondas Networks primarily related to a decrease in use of third-party research and development contractors and consultants.

Operating Loss

	Three Months Ended June 30,		
	2025	2024	Increase
Operating loss	\$ (9,249,104)	\$ (8,303,590)	\$ (945,514)

As a result of the foregoing, our operating loss increased by \$945,514, or 11%, to \$9,249,104 for the three months ended June 30, 2025, compared with \$8,303,590 for the three months ended June 30, 2024. Operating loss increased as a result of the increase of \$4,468,479 in operating expenses described above for the three months ended June 30, 2025, partially offset by the increase of \$3,522,965 in gross profit for the three months ended June 30, 2025.

Total Other Income (Expense), net

	Three Months Ended June 30,		
	2025	2024	Decrease
Total other income (expense), net	\$ (1,501,046)	\$ 33,854	\$ (1,534,900)

Total other income, net decreased by \$1,534,900, to total other expense, net of \$1,504,046 for the three months ended June 30, 2025, compared with total other income, net of \$33,854 for the three months ended June 30, 2024. Total other income, net decreased primarily as a result of the increase of approximately \$857,000 in interest expense, amortization of debt discount and issuance costs for the 2024 Additional Notes, Ondas Networks Convertible Notes, OAS Convertible Notes, and Networks Secured Note. For a summary of our outstanding Notes Payable, see Note 7 in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements. Combined with an increase in other expense of approximately \$767,000 from the change in fair value of government grant liability, offset by an increase in interest income of approximately \$163,000 from interest earned on cash deposits.

Net Loss

	Three Months Ended June 30,		
	2025	2024	Increase
Net loss	\$ (10,750,150)	\$ (8,269,736)	\$ (2,480,414)

As a result of the net effects of the foregoing, net loss increased by \$2,480,414, or 30%, to \$10,750,150 for the three months ended June 30, 2025, compared with \$8,269,736 for the three months ended June 30, 2024. Net loss per share of Common Stock, par value \$0.0001 ("Common Stock"), basic and diluted, was \$(0.08) for the three months ended June 30, 2025, compared with \$(0.14) for the three months ended June 30, 2024.

Six months ended June 30, 2025 compared to six months ended June 30, 2024

	Six Months Ended June 30,		
	2025	2024	Increase (Decrease)
Revenue, net	\$ 10,521,570	\$ 1,582,860	\$ 8,938,710
Cost of goods sold	5,700,950	2,168,737	3,532,213
Gross profit (loss)	4,820,620	(585,877)	5,406,497
Operating expenses:			
General and administrative	11,987,929	8,062,076	3,925,853
Sales and marketing	4,695,825	2,629,854	2,065,971
Research and development	7,696,408	6,152,978	1,543,430
Total operating expenses	24,380,162	16,844,908	7,535,254
Operating loss	(19,559,542)	(17,430,785)	(2,128,757)
Other income (expense), net	(5,326,958)	(715,035)	(4,611,923)
Net loss	\$ (24,886,500)	\$ (18,145,820)	\$ (6,740,680)

Revenues

	Six Months Ended June 30,		
	2025	2024	Increase (Decrease)
Revenue, net			
Ondas Networks	\$ 406,525	\$ 971,130	\$ (564,605)
OAS	10,115,045	611,730	9,503,315
Total	\$ 10,521,570	\$ 1,582,860	\$ 8,938,710

Our revenues increased by \$8,938,710 to \$10,521,570 for the six months ended June 30, 2025, compared to \$1,582,860 for the six months ended June 30, 2024. Revenues during the six months ended June 30, 2025, included \$6,828,993 for products, \$3,304,768 for service and subscriptions, and \$387,809 for development agreements, primarily with Siemens. Revenues during the six months ended June 30, 2024, included \$24,758 for products, \$608,140 for service and subscriptions, and \$949,962 for development agreements, primarily with Siemens. The increase in our revenues were primarily the result of approximately \$6,804,000 in increased product sales and approximately \$2,697,000 in increased service and subscription revenue primarily due to OAS having multi-drone orders in the six months ended June 30, 2025, but no comparable sales in the six months ended June 30, 2024. These increases were offset by a decrease of approximately \$562,000 in development revenue, primarily to Siemens, during the three months ended June 30, 2025, as further orders have been delayed by the railroads as they work on implementing the 900 MHz band network.

Cost of goods sold

	Six Months Ended June 30,		
	2025	2024	Increase (Decrease)
Cost of goods sold:			
Ondas Networks	\$ 827,890	\$ 990,101	\$ (162,211)
OAS	4,873,060	1,178,636	3,694,424
Total	<u>\$ 5,700,950</u>	<u>\$ 2,168,737</u>	<u>\$ 3,532,213</u>

Our cost of goods sold increased by \$3,532,213 to \$5,700,950 for the six months ended June 30, 2025, compared to \$2,168,737 for the six months ended June 30, 2024. The increase in cost of goods sold was primarily a result of increased revenue for the six months ended June 30, 2025, as compared to the six months ended June 30, 2024. Cost of goods sold at OAS did not increase in the same ratio as revenue due to the increase in product revenue at OAS, which included sales of our Iron Drone Raider™, which has higher margins compared to service and non-recurring engineering development revenue recognized for the six months ended June 30, 2025.

Gross profit (loss)

	Six Months Ended June 30,		
	2025	2024	Increase (Decrease)
Gross profit (loss):			
Ondas Networks	\$ (421,365)	\$ (18,971)	\$ (402,394)
OAS	5,241,985	(566,906)	5,808,891
Total	<u>\$ 4,820,620</u>	<u>\$ (585,877)</u>	<u>\$ 5,406,497</u>

Our gross profit increased by \$5,406,497 to \$4,820,620 for the six months ended June 30, 2025, compared to a gross loss of \$585,877 for the six months ended June 30, 2024. Gross margin for the six months ended June 30, 2025 and 2024 was 46% and (37%), respectively. The increase in gross margin of 83% is primarily related to the increase in product revenue at OAS, which has higher gross margins as compared to the service and non-recurring engineering development revenue recognized in the six months ended June 30, 2024.

Operating Expenses

	Six Months Ended June 30,		
	2025	2024	Increase
Operating expenses:			
General and administrative	\$ 11,987,929	\$ 8,062,076	\$ 3,925,853
Sales and marketing	4,695,825	2,629,854	2,065,971
Research and development	7,696,408	6,152,978	1,543,430
Total	<u>\$ 24,380,162</u>	<u>\$ 16,844,908</u>	<u>\$ 7,535,254</u>

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

	Six Months Ended June 30,	
	2025	2024
Human resource costs, including benefits	56%	43%
Travel and entertainment	2%	3%
Other general and administration costs:		
Professional fees and consulting expenses	9%	8%
Other expense	5%	12%
Depreciation and amortization	11%	14%
Other research and deployment costs, excluding human resources and travel and entertainment	14%	18%
Other sales and marketing costs, excluding human resources and travel and entertainment	3%	2%

Operating expenses increased by \$7,535,254, or 45%, as a result of the following items:

	Six Months Ended June 30, 2025
Human resource costs, including benefits	\$ 6,486,932
Travel and entertainment	184,037
Other general and administration costs:	
Professional fees and consulting costs	813,217
Other expense	(854,276)
Depreciation and amortization	183,824
Other research and development costs, excluding human resources and travel and entertainment	354,727
Other sales and marketing costs, excluding human resources and travel and entertainment	366,793
	<u>\$ 7,535,254</u>

The increase in operating expenses was primarily due to:

- (i) An increase of approximately \$6,487,000 in human resource costs, including an increase in stock-based compensation at the Company of approximately \$2,784,000 for new stock options and RSUs granted during the six months ended June 30, 2025, an increase of approximately \$1,434,000 related to an increase in taxable fringe benefit expense, for tax on employee benefits such as Company subsidized vehicles, meals, and other expenses, at OAS primarily as the result of an audit by the Israeli government for previous years, an increase of approximately \$475,000 in salary and benefit expense related to an increase in headcount and bonus expense in our general and administration department, an increase of approximately \$880,000 in salary and benefit expense related to an increase in headcount and bonus expense in our research and development department, an increase of approximately \$914,000 in salary and benefit expense related to an increase in headcount and bonus expense in our sales and marketing department, as we work on improving sales;
- (ii) An increase of approximately \$184,000 in travel and entertainment, primarily related to increased travel for sales and product demonstration opportunities and increased trade show attendance;
- (iii) An increase of approximately \$813,000 in professional fees and consulting expenses, of which an increase of approximately \$906,000 relates to legal and accounting fee costs, primarily related to the \$450,000 recovery of legal fees from the settlement agreement for legal proceedings related to Ardenna, which reduced our legal fee expenses during the six months ended June 30, 2024, an increase of approximately \$231,000 in legal fee costs associated with debt repayments, the shelf registration, and other corporate matters, and an increase of approximately \$225,000 related to increased use of accounting consultants and increased audit fees. These increases were partially offset by a decrease of approximately \$93,000 in other third-party contractors and consultants;
- (iv) A decrease of approximately \$854,000 in other expense, of which approximately \$747,000 relates to reduced rent and facilities charges primarily at Ondas Networks who was paying two office leases during the six months ending June 30, 2024 as compared to one lease during the six months ended June 30, 2025 and a reduction in common area shared expenses under their new lease, approximately \$83,000 relates to a reduction in the Company's D&O, E&O and general liability insurance expense, and approximately \$24,000 relates to a reduction in freight expenses and general office purchases;

- (v) An increase of approximately \$184,000 in depreciation and amortization related to additional purchases of equipment in the second half of 2024 and first half of 2025;
- (vi) A increase of approximately \$355,000 in other research and development costs, excluding human resources and travel and entertainment, of which an increase of approximately \$1,376,000 occurred at OAS related to an increase of approximately \$784,000 in use of third-party contractor and consultants, development and software expenses as we invest in improving our current product line, and a one-time settlement of approximately \$592,000 for of all amounts due to a vendor under previous development and manufacturing agreements, which reduced other research and development costs, excluding human resources and travel and entertainment, during the six months ended June 30, 2024. This increase was offset by a decrease of approximately \$1,021,000 at Ondas Networks primarily related to a decrease in use of third-party research and development contractors and consultants.
- (vii) An increase of approximately \$367,000 in other sales and marketing costs, excluding human resources and travel and entertainment, of which approximately \$254,000 relates to an increase in use of sales and marketing third-party contractors and consultants, approximately \$59,000 relates to increased attendance at trade shows and other marketing events, and approximately \$54,000 relates to increased equipment purchases and costs association with demonstrations.

Operating Loss

	Six Months Ended June 30,		
	2025	2024	Increase
Operating loss	\$ (19,559,542)	\$ (17,430,785)	\$ (2,128,757)

As a result of the foregoing, our operating loss increased by \$2,128,757 or 12%, to \$19,559,542 for the six months ended June 30, 2025, compared with \$17,430,785 for the six months ended June 30, 2024. Operating loss increased as a result of the increase of \$7,535,254 in operating expenses described above for the six months ended June 30, 2025, partially offset by the increase of \$5,406,497 in gross profit for the six months ended June 30, 2025.

Total Other Income (Expense), net

	Six Months Ended June 30,		
	2025	2024	Increase
Other income (expense), net	\$ (5,326,958)	\$ (715,035)	\$ (4,611,923)

Total other expense, net increased by \$4,611,923, to \$5,326,958 for the six months ended June 30, 2025, compared with the other expense, net of \$715,035 for the six months ended June 30, 2024. Other expense, net increased primarily as a result of the increase of approximately \$3,942,000 in interest expense, amortization of debt discount and issuance costs for the 2024 Additional Notes, Ondas Networks Convertible Notes, OAS Convertible Notes, and Networks Secured Note. For a summary of our outstanding Notes Payable, see Note 7 in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements. Combined with an increase in other expense of approximately \$816,000 from the change in fair value of government grant liability, offset by an increase in interest income of approximately \$266,000 from interest earned on cash deposits.

Net Loss

	Six Months Ended June 30,		
	2025	2024	Increase
Net loss	\$ (24,886,500)	\$ (18,145,820)	\$ (6,740,680)

As a result of the net effects of the foregoing, net loss increased by \$6,740,680, or 37%, to \$24,886,500 for the six months ended June 30, 2025, compared with \$18,145,820 for the six months ended June 30, 2024. Net loss per share of Common Stock, basic and diluted, was \$(0.21) for the six months ended June 30, 2025, compared with \$(0.31) for the six months ended June 30, 2024.

Summary of (Uses) and Sources of Cash

	Six Months Ended June 30,	
	2025	2024
Net cash flows used in operating activities	\$ (15,062,923)	\$ (16,274,722)
Net cash flows used in investing activities	(305,819)	(2,314,873)
Net cash flows provided by financing activities	53,920,721	8,542,969
Increase (decrease) in cash, cash equivalents, and restricted cash	38,551,979	(10,046,626)
Cash, cash equivalents, and restricted cash, beginning of period	29,999,321	15,022,000
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 68,551,300</u>	<u>\$ 4,975,374</u>

The principal use of cash in operating activities for the six months ended June 30, 2025, was to fund the Company's current expenses primarily related to operating activities necessary to allow us to service and support customers.

The decrease in cash flows used in operating activities of approximately \$1,212,000 was primarily due to an increase in net loss of approximately \$6,741,000, of which approximately \$7,634,000 related to non-cash and credits, including depreciation, amortization of debt discount and issuance costs, amortization of intangibles assets, amortization of right of use asset, change in fair value of government grant liability, and stock-based compensation, offset by changes in operating assets and liabilities resulting in a cash inflow of approximately \$319,000.

The decrease in cash flows used in investing activities of approximately \$2,009,000 primarily relates to a decrease in purchases of equipment in the six months ended June 30, 2025.

The increase in cash flows provided by financing activities of approximately \$45,378,000 primarily relates to the net proceeds of approximately \$42,677,000 received from 2025 Public Offering during the six months ended June 30, 2025, compared to the net proceeds received from the sale of Common Stock in the Company of approximately \$3,859,000 during the six months ended June 30, 2024, combined with the increase in proceeds from the exercise of stock options and warrants of approximately \$9,954,000, increase in net proceeds of approximately \$923,000 from the issuance of convertible notes payable, and an increase in proceeds, net of repayments, of approximately \$58,000 from government grants during the three months ended June 30, 2025. These increases were partially offset by the sale of preferred stock in Ondas Networks of approximately \$4,375,000 during the six months ended June 30, 2024.

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 June 30, 2025, we had an accumulated deficit of approximately \$261,254,000. As of June 30, 2025, we had net long-term borrowings outstanding of approximately \$2,406,000 and short-term borrowings outstanding of approximately \$17,644,000, net of debt discount and issuance costs of approximately \$1,125,000, including accrued interest of approximately \$630,000, of which approximately \$342,000 is due to related parties. As of June 30, 2025, we had cash and restricted cash of approximately \$68,551,000 and working capital of approximately \$59,720,000. We had approximately \$15,063,000 of net cash flows used in operations for the six months ended June 30, 2025.

In 2024, we raised approximately \$36,997,000 of net proceeds from issuance of convertible notes in Ondas Holdings, Ondas Networks, and OAS; approximately \$1,422,000 of net proceeds from issuance of secured notes in Ondas Networks; approximately \$7,304,000 of net proceeds from issuing common stock in Ondas Holdings, warrants in Ondas Holdings, and warrants in OAS; and approximately \$4,375,000 in net proceeds from issuing additional redeemable preference shares in Ondas Networks and warrants in Ondas Holdings.

As of June 30, 2025, we raised approximately \$42,677,000 in proceeds, net of issuance costs, from a registered public offering, \$9,963,000 from the exercise of stock options and warrants in Ondas Holdings, \$923,000 in proceeds, net of issuance costs, from issuance of convertible notes in Ondas Networks, and \$365,000 in Israeli government grants to Airobotics. Subsequent to June 30, 2025, the Company issued 6,950,574 shares as a result of Installment Conversions on the 2024 Additional Notes, repaying the 2024 Additional Notes in full. As of July 18, 2025, the 2022 Convertible Promissory Notes, 2023 Additional Notes, and 2024 Additional Notes have been repaid in full.

In the Company's audited consolidated financial statements as of December 31, 2024 included in the Company's most recent Annual Report on Form 10-K and unaudited condensed consolidated financial statements included in the Company's Form 10-Q as of and for the three months ended March 31, 2025, management concluded that substantial doubt existed about the Company's ability to continue as a going concern due to recurring operating losses and limited liquidity resources.

During the three months ended June 30, 2025, the Company raised approximately \$42,677,000 in proceeds, net of issuance costs, from a registered public offering, and approximately \$8,979,000 from the exercise of stock options and warrants in Ondas Holdings. Management believes these actions sufficiently alleviate the previously identified conditions that raised substantial doubt, and the Company will have sufficient capital resources to fund its operations for the next twelve months from the date these interim financial statements are issued.

As of August 12, 2025, management has concluded that substantial doubt about the Company's ability to continue as a going concern no longer exists as of the issuance date of these unaudited condensed consolidated financial statements.

We expect to fund our operations for the next twelve months from the filing date of this Quarterly Report on Form 10-Q from the cash on hand as of June 30, 2025, gross profits generated from revenue growth, potential prepayments from customers for purchase orders, potential proceeds from warrants issued and outstanding, and additional funds that we may seek through equity or debt offerings and/or borrowings under additional notes payable, lines of credit or other sources.

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 and services 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 conditions, or results of operations.

Off-Balance Sheet Arrangements

As of June 30, 2025, we had no off-balance sheet arrangements.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our unaudited 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 2024 Form 10-K. There have been no significant changes in our critical accounting policies since the filing of the 2024 Form 10-K.

Recent Accounting Pronouncements

There have been no material changes to our significant accounting policies as summarized in Note 2 of our 2024 Form 10-K. We do not expect that the adoption of any recent accounting pronouncements will have a material impact on our accompanying unaudited Condensed Consolidated Financial Statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report, 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 2024 Form 10-K, which was filed with the SEC on March 12, 2025. 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 June 30, 2025. Based on that evaluation, the Company’s Chief Executive Officer and the Company’s Chief Financial Officer have concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of June 30, 2025.

Changes in Internal Control Over Financial Reporting

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 quarter ended June 30, 2025 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 Form 10-K for the year ended December 31, 2024, filed with the Securities and Exchange Commission (the “SEC”) on March 12, 2025 (the “2024 Form 10-K”), 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 the 2024 Form 10-K and in the Quarterly Report on Form 10-Q for the period ended March 31, 2025.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On August 11, 2025, the Company's Compensation Committee approved the Amended and Restated Non-Employee Director Compensation Policy, which among other things, amends the current policy to increase the quarterly cash retainer to \$12,500 and the value of annual restricted stock units to \$100,000. The foregoing description of the Policy does not purport to be complete and is qualified in its entirety by the Policy, a copy of which is attached to this report as Exhibit 10.4, and incorporated herein by reference.

Item 6. Exhibits.

Exhibit No.	Name of Document
3.1	<u>Certificate of Amendment, filed on May 12, 2025 (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on May 12, 2025).</u>
4.1	<u>Form of Pre-Funded Warrant (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on June 11, 2025).</u>
10.1	<u>Employment Agreement, dated June 23, 2025, between Ondas Holdings Inc. and Neil Laird (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on June 25, 2025).</u>
10.2+	<u>Amendment to the Ondas Holdings Inc. 2021 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on May 12, 2025).</u>
10.3*	<u>Letter Agreement, dated July 3, 2025, by and among Ondas Holdings Inc. and the signatories thereto.</u>
10.4*	<u>Amended and Restated Director Compensation Policy.</u>
31.1	<u>Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated August 12, 2025*</u>
31.2	<u>Certification of Chief Financial Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated August 12, 2025*</u>
32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 dated May 15, 2025**</u>
32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 dated May 15, 2025**</u>
101.INS	Inline XBRL Instance Document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy 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.

+ Management Compensatory Plan

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: August 12, 2025

ONDAS HOLDINGS INC.

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

By: /s/ Neil J. Laird
Neil J. Laird
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)



*** CERTAIN INFORMATION IS OMITTED FROM THE FILED EXHIBIT***

July 3, 2025

Re: Letter Agreement (“Letter Agreement”)

Dear Noteholder:

July 2024 Convertible Notes

On July 8, 2024, Charles & Potomac Capital, LLC (“C&P”) purchased a convertible note (the “July 8 Note”) of Ondas Networks Inc., a Texas corporation (the “Company”), for the aggregate principal amount of \$700,000. On July 23, 2024, C&P purchased a convertible note (the “July 23 Note,” together with the July 8 Note, the “Notes”) of the Company, for the aggregate principal amount of \$800,000. Capitalized terms used but not defined in this section shall have the respective meanings set forth in the Notes.

Pursuant to Section 1 of the Notes, the Maturity Dates of the July 8 Note and July 23 Note are July 8, 2025 and July 23, 2025, respectively. The Company is requesting an extension of the Maturity Dates of the Notes to December 31, 2025.

September 2024 Secured Note

Reference in this section is made to the Secured Note Agreement, dated September 3, 2024, as amended (the “September Agreement”), by and between the Company and C&P, pursuant to which C&P extended a line of credit to the Company in the amount of \$1,500,000. Capitalized terms used but not defined in this section shall have the respective meanings set forth in the September Agreement.

Pursuant to Section 3(a) of the September Agreement, the Maturity Date of the Loan is July 23, 2025. The Company is requesting an extension of the Maturity Date of the Loan from July 23, 2025 to December 31, 2025.

November 2024 Convertible Notes

Reference in this section is made to the Securities Purchase Agreement, dated November 13, 2024, by and between the Company and a private investor group (“November Lenders”), pursuant to which November Lenders purchased secured convertible promissory notes from the Company, in the aggregate amount of \$2.07 million (the “November Notes”). Capitalized terms used but not defined in this section shall have the respective meanings set forth in the November Notes.

Pursuant to Section 1 of the November Notes, the Maturity Date of the November Notes are September 30, 2025. The Company is requesting an extension of the Maturity Date of the November Notes from September 30, 2025 to December 31, 2025.

January 2025 Convertible Notes

Reference in this section is made to the Securities Purchase Agreement, dated January 15, 2025, by and between the Company and a private investor group (“January Lenders”), pursuant to which January Lenders purchased secured convertible promissory notes from the Company, in the aggregate amount of \$2.93 million (the “January Notes”). Capitalized terms used but not defined in this section shall have the respective meanings set forth in the January Notes.

Pursuant to Section 1 of the January Notes, the Maturity Date of the January Notes are September 30, 2025. The Company is requesting an extension of the Maturity Date of the January Notes from September 30, 2025 to December 31, 2025.

Ondas Holdings Inc.
One Marina Park Drive, Suite 1410, Boston, MA 02210
+1-888-350-9994 ■ www.ondas.com

April 2025 Secured Note

Reference in this section is made to the Secured Note Agreement, dated April 4, 2025 (the “April Agreement”), by and between the Company and Ondas Holdings Inc. (“April Lender”), pursuant to which April Lender extended a loan the Company in the amount of \$3,000,000. Capitalized terms used but not defined in this section shall have the respective meanings set forth in the April Agreement.

Pursuant to Section 3(a) of the April Agreement, the Maturity Date of the Loan is July 23, 2025. The Company is requesting an extension of the Maturity Date of the Loan from July 23, 2025 to December 31, 2025.

If the extension of the Maturity Date to December 31, 2025 is acceptable, please agree and acknowledge this Letter Agreement.

We appreciate your continued support.

Sincerely,

ONDAS NETWORKS INC.

By: /s/ Neil Laird
Name: Neil Laird
Title: Interim Chief Financial Officer

Agreed to and acknowledged by:

[***]

[***]

[***]

[***]

[***]

[***]

[***]

[***]

[***]

Ondas Holdings Inc.
One Marina Park Drive, Suite 1410, Boston, MA 022210
+1-888-350-9994 ■ www.ondas.com

Ondas Holdings Inc.
Amended and Restated Non-Employee Director Compensation Policy

I. Overview

The Board of Directors (the “Board”) of Ondas Holdings Inc. (“Ondas” or the “Company”) has approved the following Amended and Restated Non-Employee Director Compensation Policy, effective August 11, 2025 (the “Policy”), to provide an inducement to attract and retain the services of qualified persons to serve as directors.

II. Overview

This Policy shall apply to each director of the Board who is not an employee of, or compensated consultant to, Ondas or any of its subsidiaries (a “Non-Employee Director”). Employees of Ondas or any of its subsidiaries are not eligible to receive compensation under this Policy.

III. Director Compensation

The following is a description of the compensation arrangements under which our Non-Employee Directors are compensated for their service as directors, including as members of the various committees of our Board, consisting of the cash retainers described in Section III.A and the annual equity award described in Section III.B.

A. Cash Compensation

Subject to Section III.A.2, each Non-Employee Director shall receive the following cash compensation on a quarterly basis for his/her service on the Board and/or committees of the Board, payable at such time as the Company’s common stock is traded on Nasdaq (or a similar national exchange):

Quarterly Board Retainer	\$	12,500
Additional Board Chair Retainer	\$	2,000
Additional Audit Committee Chair Retainer	\$	2,000
Additional Compensation Committee Chair Retainer	\$	2,000
Additional Nominating Committee Chair Retainer	\$	1,000

1. *Terms for Cash Payment*

Cash payments to Non-Employee Directors shall be paid quarterly in arrears on the fifth business day following the end of the fiscal quarter to which service relates (each, a “Payment Date”). Each Non-Employee Director that is elected or appointed to the Board after the date hereof shall receive a prorated cash retainer for the portion of the fiscal quarter during which he/she begins serving on the Board or a committee of the Board (the “Prorated Retainer”). The Prorated Retainer shall be an amount equal to the product of (A) the aggregate amount payable in respect of such Non-Employee Director’s service for a full fiscal quarter multiplied by (B) a fraction, the numerator of which is (x) the number of days during which the Non-Employee Director serves on the Board or committees during his/her initial fiscal quarter and the denominator of which is (y) the total number of days during such fiscal quarter. The Prorated Retainer shall be paid on first Payment Date following such Non-Employee Director’s election or appointment to the Board.

2. *Election for Equity in Lieu of Cash Retainers*

Prior to the end of each calendar year, each Non-Employee Director shall make an annual election with respect to cash retainers for the following calendar year, indicating whether he/she elects to receive the retainers in cash, as described in Section III.A.1, or in the Company’s common stock, \$0.0001 par value per share (“Common Stock”), in lieu of the cash retainers. If no election has been made as of the first day of the calendar year, the Non-Employee Director shall receive all retainers in cash as set forth in Section III.A.1, or, if a previous election has been made to receive Common Stock in lieu of the cash retainers, such election shall remain in effect for subsequent calendar years until such election is changed by the completion, signature and delivery to the Company of a new election form in accordance with the terms of this Policy. Each newly elected or appointed Non-Employee Director shall make an election prior to, or within 30 days of, his/her initial appointment or election to the Board, for the remainder of the year of such appointment or election, whether to receive the retainers in cash or in Common Stock. In the event an election is made to receive Common Stock in lieu of cash retainers, such director shall automatically be granted on the applicable Payment Date a number of shares of Common Stock having an aggregate fair market value equal to the aggregate amount of such Non-Employee Director’s cash retainer for such fiscal quarter, determined by dividing (A) the aggregate amount of the retainers by (B) the Fair Market Value as set forth in the Plan (as defined below) (rounded down to the nearest whole share) (the “Quarterly Retainer Award”).

All Common Stock granted to Non-Employee Directors under this Policy shall be (i) granted under the Company's 2021 Stock Incentive Plan, or any successor plan (the "Plan"), and will be subject to the terms and conditions set forth in the Plan and (ii) subject to a resale restriction ending on the earlier of such Non-Employee Director's termination of service as a Non-Employee Director and the three (3)-year anniversary of the Payment Date, as set forth in the Non-Employee Director Compensation Election Form, provided however the Non-Employee Director may sell shares of Common Stock to fund tax liability attributable to the vesting of the RSUs.

B. Equity Compensation

1. *Annual Equity Award*

Each Non-Employee Director will automatically be granted, without any further action by the Board, on the date (the "Grant Date") of the annual meeting of the Board coincident with or immediately following the Company's annual meeting of stockholders (the "Annual Stockholders Meeting"), a number of restricted stock units ("RSUs") (each RSU relating to one (1) share of Common Stock) having an aggregate fair market value equal to \$100,000, determined by dividing (A) \$100,000 by (B) the Fair Market Value as set forth in the Plan (rounded down to the nearest whole share) (the "Annual Award"). The Annual Awards shall vest in four successive equal quarterly installments during the four calendar quarters of the applicable service year (rounded down to the nearest whole share), provided that the Non-Employee Director is a director of the Company on the applicable vesting date. All RSUs granted to Non-Employee Directors under this Section III.B.1 shall vest in full immediately upon a Change in Control (as defined in the Plan).

2. *Off-Cycle Equity Award*

If a Non-Employee Director is initially elected or appointed to the Board other than at the Annual Meeting of Stockholders, such Non-Employee Director will automatically be granted on his/her election or appointment date, without any further action by the Board, a number of RSUs having an aggregate fair market value equal to the product of (A) \$100,000 multiplied by (B) a fraction, the numerator of which is (x) the number of days between such Non-Employee Director's initial election or appointment to the Board and the date that is 12 months following the Annual Meeting of Stockholders preceding such Non-Employee Director's initial election or appointment to the Board and the denominator of which is (y) 365 days (the "Prorated Annual Award Amount"), determined by dividing (A) the Prorated Annual Award Amount by (B) the Fair Market Value as set forth in the Plan (rounded down to the nearest whole share) (an "Off-Cycle Award"). The Off-Cycle Awards shall vest in equal quarterly installments during the four calendar quarters of the applicable service year (rounded down to the nearest whole share), provided that the Non-Employee Director is a director of the Company on the applicable vesting date. All RSUs granted to Non-Employee Directors under this Section III.B.2 shall vest in full immediately upon a Change in Control (as defined in the Plan). All Annual Awards and Off-Cycle Awards granted to Non-Employee Directors under this Policy shall be granted under the Plan, and will be subject to the terms and conditions set forth in the Plan and the form of Restricted Stock Unit Agreement as filed with the Securities and Exchange Commission (a "Restricted Stock Unit Agreement"). All Annual Awards and Off-Cycle Awards will be subject to a resale restriction ending on the earlier of such Non-Employee Director's termination of service as a Non-Employee Director and the three (3)-year anniversary of the date of grant, as provided in the applicable Restricted Stock Unit Agreement, provided however the Non-Employee Director may sell shares of Common Stock to fund tax liability attributable to the vesting of the RSUs.

C. Expense Reimbursement

Upon presentation of documentation of such expenses reasonably satisfactory to the Company, each Non-Employee Director shall be reimbursed for his/her reasonable out-of-pocket business expenses incurred in connection with attending meetings of the Board and its committees or in connection with other business related to the Board. Each Non-Employee Director shall also be reimbursed for his/her reasonable out-of-pocket business expenses authorized by the Board or one of its committees that are incurred in connection with attendance at meetings with the Company's management. Each Non-Employee Director shall abide by the Company's travel and other policies applicable to company personnel.

IV. Insider Trading. All Non-Employee Directors are subject to the Company's Insider Trading Policy, each as the Company may adopt or amend from time to time.

V. Policy Review / Amendments

The Compensation Committee of the Board (the "Compensation Committee") shall review this Policy from time to time to assess whether any amendments in the type and amount of compensation provided herein should be adjusted to fulfill the objectives of this Policy. This Policy may only be amended by the Compensation Committee.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER 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 the 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.

Date: August 12, 2025

/s/ Eric A. Brock

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

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Neil J. Laird, 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 the 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.

Date: August 12, 2025

/s/ Neil J. Laird

Neil J. Laird

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 June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric A. Brock, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirement 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.

Dated: August 12, 2025

/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 June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Neil J. Laird, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirement 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.

Dated: August 12, 2025

/s/ Neil J. Laird

Neil J. Laird
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.