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 September 30, 2023

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	**47-2615102**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

411 Waverley Oaks Road, Suite 114, Waltham, MA 02452
(Address of principal executive offices) (Zip Code)

(888) 350-9994
(Registrant's telephone number, including area code)

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

The number of shares outstanding of the issuer's Common Stock as of November 13, 2023, was 58,311,317.

ONDAS HOLDINGS INC.
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Item 1. Financial Statements

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

		September 30, 2023		December 31, 2022
		(Unaudited)		
ASSETS				
Current Assets:				
Cash and cash equivalents	$	20,971,982	$	29,775,096
Restricted cash		39,909		-
Accounts receivable, net		4,894,247		104,276
Inventory, net		2,580,166		2,173,017
Note receivable		-		2,000,000
Other current assets		1,785,250		1,749,613
Total current assets		30,271,554		35,802,002
Property and equipment, net		5,443,910		3,023,285
Other Assets:				
Goodwill, net		27,671,921		25,606,983
Intangible assets, net		32,444,883		28,863,773
Long-term equity investment		1,500,000		1,500,000
Deposits and other assets		651,741		218,206
Operating lease right of use assets		2,661,009		2,930,996
Total other assets		64,929,554		59,119,958
Total assets	$	100,645,018	$	97,945,245
LIABILITIES, TEMPORARY EQUITY, AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable	$	5,472,062	$	2,965,829
Operating lease liabilities		564,878		580,593
Accrued expenses and other current liabilities		2,640,357		3,268,993
Convertible note payable, net of unamortized debt discount and issuance cost of $2,532,734 and $2,303,664, respectively		26,065,390		15,849,445
Government grant liability		471,276		-
Deferred revenue		341,018		61,508
Total current liabilities		35,554,981		22,726,368
Long-Term Liabilities:				
Notes payable		300,000		300,000
Convertible notes payable, net of current, net of unamortized debt discount and issuance cost of $528,713 and $948,201, respectively		4,262,954		14,198,690
Accrued interest		36,218		40,965
Government grant liability, net of current		2,012,984		-
Operating lease liabilities, net of current		2,252,884		2,456,315
Total long-term liabilities		8,865,040		16,995,970
Total liabilities		44,420,021		39,722,338
Commitments and Contingencies (Note 12)				
Temporary Equity				
Redeemable noncontrolling interest		11,029,479		-
Stockholders' Equity				
Preferred stock - par value $0.0001; 5,000,000 shares authorized at September 30, 2023 and December 31, 2022, respectively, and none issued or outstanding at September 30, 2023 and December 31, 2022, respectively		-		-
Preferred stock, Series A - par value $0.0001; 5,000,000 shares authorized at September 30, 2023 and December 31, 2022, respectively, and none issued or outstanding at September 30, 2023 and December 31, 2022, respectively		-		-
Common Stock - par value $0.0001; 116,666,667 shares authorized; 55,184,623 and 44,108,661 issued and outstanding, respectively September 30, 2023 and December 31, 2022, respectively		5,518		4,411
Additional paid in capital		229,411,292		211,733,690
Accumulated deficit		(184,221,292)		(153,515,194)
Total stockholders' equity		45,195,518		58,222,907
Total liabilities, temporary equity, and stockholders' equity	$	100,645,018	$	97,945,245

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues, net	$ 2,665,190	$ 632,489	$ 10,730,145	$ 1,646,905
Cost of goods sold	2,110,312	233,001	6,076,595	806,571
Gross profit	554,878	399,488	4,653,550	840,334
Operating expenses:				
General and administration	2,563,319	7,362,274	13,347,278	18,727,626
Sales and marketing	1,224,144	792,613	4,205,217	2,210,021
Research and development	2,701,436	5,793,345	14,184,420	14,815,852
Total operating expenses	6,488,899	13,948,232	31,736,915	35,753,499
Operating loss	(5,934,021)	(13,548,744)	(27,083,365)	(34,913,165)
Other income (expense), net				
Other expense, net	(419,730)	(21,392)	(349,343)	(32,655)
Interest income	379	-	7,724	-
Interest expense	(893,951)	(8,205)	(3,197,600)	(34,345)
Foreign exchange loss, net	(45,138)	-	(83,514)	-
Total other income (expense)	(1,358,440)	(29,597)	(3,622,733)	(67,000)
Net loss	(7,292,461)	(13,578,341)	(30,706,098)	(34,980,165)
Less preferred dividends attributable to noncontrolling interest	212,208	-	212,208	-
Less deemed dividends attributable to accretion of redemption value	410,322	-	410,322	-
Net loss attributable to shareholders	(7,914,991)	(13,578,341)	(31,328,628)	(34,980,165)
Net loss per share - basic and diluted	$ (0.15)	$ (0.32)	$ (0.62)	$ (0.83)
Weighted average number of common shares outstanding, basic and diluted	53,892,848	42,661,607	50,923,225	41,946,041

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

ONDAS HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND TEMPORARY EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance, January 1, 2022	**40,990,604**	**$ 4,099**	**$ 192,502,122**	**$ (80,273,389)**	**$ 112,232,832**
Stock-based compensation	-	-	1,328,395	-	1,328,395
Net loss	-	-	-	(10,010,399)	(10,010,399)
Balance, March 31, 2022	**40,990,604**	**$ 4,099**	**$ 193,830,517**	**$ (90,283,788)**	**$ 103,550,828**
Issuance of shares in connection with acquisition of intangible asset from Ardenna, Inc.	780,000	78	5,943,522	-	5,943,600
Stock-based compensation	-	-	1,555,184	-	1,555,184
Shares issued as per ATM agreement (Net of offering costs)	852,679	85	6,039,020	-	6,039,105
Net loss	-	-	-	(11,391,425)	(11,391,425)
Balance, June 30, 2022	**42,623,283**	**$ 4,262**	**$ 207,368,243**	**$ (101,675,213)**	**$ 105,697,292**
Shares issued as per ATM agreement (Net of offering costs)	11,995	1	61,662	-	61,663
Issuance of Shares in connection with acquisition of asset from Field of View LLC	16,000	2	74,018	-	74,020
Shares issued in exercise of options	31,057	3	64,906	-	64,909
Stock-based compensation	-	-	1,483,155	-	1,483,155
Net Loss	-	-	-	(13,578,341)	(13,578,341)
Balance, September 30, 2022	**42,682,335**	**$ 4,268**	**$ 209,051,984**	**$ (115,253,554)**	**$ 93,802,698**

	Redeemable Noncontrolling Interest Shares	Redeemable Noncontrolling Interest Amount	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance, January 1, 2023	**-**	**$ -**	**44,108,661**	**$ 4,411**	**$ 211,733,690**	**$ (153,515,194)**	**$ 58,222,907**
Issuance of shares in connection with acquisition of Airobotics, Ltd.	-	-	2,844,291	284	5,261,654	-	5,261,938
Issuance of shares in connection with acquisition of the assets of Iron Drone, Ltd.	-	-	46,129	5	85,795	-	85,800
Assumption of vested stock options in connection with acquisition of Airobotics, Ltd.	-	-	-	-	700,690	-	700,690
Delivery of shares for restricted stock units	-	-	4,090	-	-	-	-
Issuance of shares for payment on convertible debt	-	-	2,104,988	211	3,004,583	-	3,004,794
Stock-based compensation	-	-	-	-	1,263,356	-	1,263,356
Net loss	-	-	-	-	-	(14,455,551)	(14,455,551)
Balance, March 31, 2023	**-**	**$ -**	**49,108,159**	**$ 4,911**	**$ 222,049,768**	**$ (167,970,745)**	**$ 54,083,934**
Issuance of shares for payment on convertible debt	-	-	3,341,704	334	2,751,041	-	2,751,375
Issuance of shares upon exercise of options	-	-	1,539	-	701	-	701
Stock-based compensation	-	-	-	-	1,639,869	-	1,639,869
Net loss	-	-	-	-	-	(8,958,086)	(8,958,086)
Balance, June 30, 2023	**-**	**$ -**	**52,451,402**	**$ 5,245**	**$ 226,441,379**	**$ (176,928,831)**	**$ 49,517,793**
Sale of redeemable preferred stock in Ondas Networks, net of issuance costs	429,123	10,406,949	-	-	(307,665)	-	(307,665)
Issuance of warrants in connection with the sale of redeemable preferred stock in Ondas Networks	-	-	-	-	4,593,051	-	4,593,051
Preferred dividends attributable to redeemable noncontrolling interest	-	212,208	-	-	(212,208)	-	(212,208)
Accretion of redeemable preferred stock in Ondas Networks	-	410,322	-	-	(410,322)	-	(410,322)
Issuance of shares for payment on convertible debt	-	-	1,984,918	198	1,563,917	-	1,564,115
Issuance of shares upon exercise of options	-	-	21,940	2	10,088	-	10,090
Delivery of shares for vesting of restricted stock units	-	-	726,363	73	(73)	-	-
Stock-based compensation	-	-	-	-	(2,266,875)	-	(2,266,875)
Net Loss	-	-	-	-	-	(7,292,461)	(7,292,461)
Balance, September 30, 2023	**429,123**	**$ 11,029,479**	**55,184,623**	**$ 5,518**	**$ 229,411,292**	**$ (184,221,292)**	**$ 45,195,518**

The accompanying footnotes are an integral part of these condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (30,706,098)	$ (34,980,165)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation	648,624	280,195
Amortization of debt discount	2,438,462	-
Amortization of intangible assets	3,103,591	2,726,295
Amortization of right of use asset	715,041	633,110
Loss on intellectual property	12,223	11,095
Loss on disposal of equipment	7,757	-
Stock-based compensation	636,350	4,366,734
Change in fair value of government grant liability	161,764	-
Changes in operating assets and liabilities:		
Accounts receivable	(4,677,726)	392,036
Inventory	1,087,558	(253,471)
Other current assets	767,152	(244,800)
Deposits and other assets	(370,684)	-
Accounts payable	1,536,991	987,392
Deferred revenue	(1,323,025)	(168,453)
Operating lease liability	(710,546)	(451,542)
Accrued expenses and other current liabilities	(1,436,178)	502,901
Net cash flows used in operating activities	(28,108,744)	(26,198,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Patent costs	(62,281)	(29,678)
Purchase of equipment	(94,972)	(3,525,724)
Proceeds from sale of equipment	33,568	-
Cash paid for Ardenna Inc. asset acquisition	-	(900,000)
Cash paid for Iron Drone asset acquisition	(135,000)	-
Cash acquired from the acquisition of Airobotics Ltd.	1,049,454	-
Investment in Dynam AI	-	(1,000,000)
Cash paid for Field of View LLC asset acquisition	(145,833)	(41,667)
Net cash flows provided by (used in) investing activities	644,936	(5,497,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible notes payable, net of issuance costs	9,309,513	-
Proceeds from sale of shares under ATM agreement	-	6,099,267
Proceeds from exercise of options and warrants	10,791	64,909
Proceeds from government grant	189,752	-
Proceeds from sale of redeemable preferred stock in Ondas Networks, net of issuance costs	14,692,335	-
Payments on convertible notes payable	(4,354,911)	-
Payments on government grant liability	(6,576)	-
Payments on loan payable	(1,140,301)	-
Net cash flows provided by financing activities	18,700,603	6,164,176
Decrease in cash, cash equivalents, and restricted cash	(8,763,205)	(25,531,566)
Cash, cash equivalents, and restricted cash, beginning of period	29,775,096	40,815,123
Cash, cash equivalents, and restricted cash, end of period	$ 21,011,891	$ 15,283,557
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 163,418	$ 12,920
Cash paid for income taxes	$ -	$ -
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Common Stock and warrants issued in relation to acquisition of Airobotics, Ltd.	$ 5,962,628	$ -
Common Stock issued in relation to acquisition of the assets of Iron Drone, Ltd.	$ 85,800	$ -
Common stock issued in exchange for debt repayment	$ 7,320,284	$ -
Warrants issued in relation to the sale of redeemable preferred stock in Ondas Networks	$ 12,683,549	$ -
Preferred dividends attributable to redeemable noncontrolling interest	$ 212,208	$ -
Accretion of redeemable preferred stock in Ondas Networks	$ 410,322	$ -
Noncash consideration for purchase of intangibles asset	$ -	$ 6,019,120
Operating leases right-of-use assets obtained in exchange of lease liabilities	$ 105,950	$ 2,928,911

The accompanying footnotes are an integral part of these 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 (“Ondas 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. See Note 5 – Goodwill and Business Acquisition.

As a result of these acquisitions, Ondas Networks, American Robotics and Airobotics became our subsidiaries. These three subsidiaries are now Ondas’ primary focus. Ondas’ corporate headquarters are located in Waltham, Massachusetts. Ondas Networks’ offices and facilities are located in Sunnyvale, California, American Robotics’ offices and facilities are located in Waltham, Massachusetts and Marlborough, Massachusetts, 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, American Robotics, and Airobotics.

On February 14, 2023, the Company announced the formation of Ondas Autonomous Systems, a new business unit to manage the combined drone operations of subsidiaries American Robotics and Airobotics. Ondas Networks and Ondas Autonomous Systems together provide users in rail, energy, mining, agriculture, public safety and critical infrastructure and government markets with improved connectivity, data collection capabilities, and data collection and information processing capabilities. We operate Ondas Networks and Ondas Autonomous Systems as separate business segments.

Ondas Networks

Ondas Networks provides wireless connectivity solutions enabling mission-critical Industrial Internet applications and services. We refer to these applications as the Mission-Critical Internet of Things (“MC-IoT”). Our wireless networking products are applicable to a wide range of MC-IoT applications, which are most often located at the very edge of large industrial networks. These applications require secure, real-time connectivity with the ability to process large amounts of data at the edge of large industrial networks. Such applications are required in all of the major critical infrastructure markets, including rail, electric grids, drones, oil and gas, and public safety, homeland security and government, where secure, reliable and fast operational decisions are required in order to improve efficiency and ensure a high degree of safety and security.

We design, develop, manufacture, sell and support FullMAX, our patented, Software Defined Radio (“SDR”) platform for secure, licensed, private, wide-area broadband networks. Our customers install FullMAX systems in order to upgrade and expand their legacy wide-area network infrastructure. Our MC-IoT intellectual property has been adopted by the Institute of Electrical and Electronics Engineers (“IEEE”), the leading worldwide standards body in data networking protocols, and forms the core of the IEEE 802.16s standard. Because standards-based communications solutions are preferred by our mission-critical customers and ecosystem partners, we have taken a leadership position in IEEE as it relates to wireless networking for industrial markets. As such, management believes this standards-based approach supports the adoption of our technology across a burgeoning ecosystem of global partners and end markets.

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

Ondas Autonomous Systems

Our Ondas Autonomous Systems business unit designs, develops, and markets commercial drone solutions via the Optimus System™ and Scout System™ (the "Autonomous Drone Platforms").

The Autonomous Drone Platforms are highly automated, AI-powered drone systems capable of continuous, remote operation and are marketed as "drone-in-a-box" turnkey data solution services. They are deployed for critical industrial and government applications where data and information collection and processing are required. These use cases include public safety, security and smart city deployments where routine, high-resolution automated emergency response, mapping, surveying, and inspection services are highly valued, in addition to industrial markets such as oil & gas, rail and ports which emphasize security and inspection solutions. The Autonomous Drone Platforms are typically provided to customers under a Data-as-a-Service (DaaS) business model, while some customers will choose to purchase and own and operate an Optimus Systems™.

American Robotics and Airobotics have industry leading regulatory successes which include having the first drone system approved by the Federal Aviation Administration ("FAA") for automated operation beyond-visual-line-of-sight (BVLOS) without a human operator on-site.

In addition to the Autonomous Drone Platforms, Ondas Autonomous Systems offers a counter-drone system called the Raider™. The Raider™ was developed by Iron Drone and is deployed by government and enterprise customers to provide security and protect critical infrastructure, assets and people from the threat of hostile drones. Airobotics acquired the assets of Iron Drone on March 6, 2023.

Autonomous Drone Platforms

We design, develop and manufacture autonomous drone systems, providing high-fidelity, ultra-high-resolution aerial data to enterprise and government customers. We currently prioritize the marketing of our Optimus System™ which provides customers with a turnkey data and information solution and the ability to continuously digitize, analyze, and monitor their assets and field operations in real-time or near real-time. We believe the market opportunity for our Scout System™ remains significant. As we drive market adoption with the Optimus platform, we anticipate re-introducing the Scout platform including newly enhanced versions to help segment the market for different use cases and price points.

The Optimus System™ has been designed from the ground up as an end-to-end product capable of continuous unattended operations in the real world. Powered by innovations in robotics automation, machine vision, edge computing, and AI, the Optimus System™ provides efficiencies as a drone solution for commercial use. Once installed in the field at customer locations, a fleet of connected Optimus Systems™, which are often deployed as networked drone infrastructure, which we refer to as Urban Drone Infrastructure, remains indefinitely in an area of operation, automatically collecting and seamlessly delivering data and information regularly and reliably.

We market the Optimus System™ under a DaaS business model, whereby our drone platform aggregates customer data and provides the data analytics meeting customer requirements in return for an annual subscription fee. Some customers purchase Optimus Systems™ to own and operate themselves. We also engage distributors to assist in the sales and marketing of our Optimus System™ in geographic markets where its more cost effective to identify and service potential customers by engaging local third parties. These distribution agreements can include joint ventures, where Ondas Autonomous Systems will provide technical expertise to support the joint venture partner in the provision of aerial data services to customers.

The Optimus System™ consists of (i) Optimus™, a highly automated, AI-powered drone with advanced imaging payloads (ii) the Airbase™, a ruggedized weatherproof base station for housing, battery swapping, battery charging, payload swapping, data processing, and cloud transfer, and (iii) Insightful™, a secure web portal and API which enables remote interaction with the system, data, and resulting analytics anywhere in the world. These major subsystems are connected via a host of supporting technologies. Airbase™ has internal robotic systems that enable the automated swapping of batteries and payloads. Automated battery swapping allows for 24/7 operation of the Optimus as the Optimus drone can immediately be redeployed after returning to the dock for a battery swap. Similarly, the ability to autonomously swap sensors and advanced payloads without human intervention allows for the Optimus System™ to provide multiple applications and use cases from a single location.

American Robotics and Airobotics have industry leading regulatory successes which include having the first drone system approved by the FAA for automated operation BVLOS without a human operator or visual observer on-site. American Robotics' FAA approvals were enabled by integrating a suite of proprietary technologies, including Detect-and-Avoid ("DAA") and other proprietary intelligent safety systems into its autonomous drone platform, which we plan to integrate into the Optimus System™. On September 6, 2023, Airobotics received approval for Type Certification ("TC") from the FAA for the Optimus UAV. TC approval enables expanded operation for the Optimus System™ in the United States including flight operations in populated areas.

The Raider™

The Raider™ is a counter-drone system, which was designed and developed by Iron Drone, that we are marketing to government and enterprise customers who can utilize the system for security and the protection of critical infrastructure, assets and people from the threat of hostile drones. A typical Raider™ deployment location would include sensitive locations such as borders, stadiums or schools, or near critical assets such as power plants and military bases, and for high profile locations such as amusement parks or where public events are held.

The Raider™ is designed to detect, track and intercept unauthorized, or hostile unmanned aircraft and is most often sold with three small UAVs that are housed in a docking station. The Raider UAV has live video capability and a payload containing a net that can be deployed to intercept a hostile drone. Upon detection of an unauthorized drone, one or more Raider™ UAVs can be autonomously deployed at high speeds to track the unauthorized aircraft. If the unauthorized aircraft is deemed hostile, the Raider™ UAV can deploy the netting to physically intercept the aircraft. A parachute integrated with the netting allows the intercepted drone to safely fall to the ground for collection by our customer.

Liquidity

We have incurred losses since inception and have funded our operations primarily through debt and the sale of capital stock. On September 30, 2023, we had an accumulated deficit of approximately $184,221,000. On September 30, 2023, we had net long-term borrowings outstanding of approximately $6,576,000, net of debt discount and issuance costs of approximately $529,000, and short-term borrowings outstanding of approximately $26,537,000, net of debt discount and issuance costs of approximately $2,533,000. On September 30, 2023, we had total cash and restricted cash of approximately $21,012,000 and a working capital deficit of approximately $5,283,000.

In July and August 2023, the Company raised $15,000,000 in gross proceeds from the sale of redeemable preferred stock in Ondas Networks and warrants to purchase shares of Common Stock (as defined below) in Ondas Holdings and approximately $9,310,000 in net proceeds from the sale of convertible debt. These amounts are included in the total cash and restricted cash of approximately $21,012,000 as of September 30, 2023.

We expect to fund our operations for the next twelve months from the filing date of this Quarterly Report on Form 10-Q from 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. There is substantial doubt that the funding plans will be successful and therefore the conditions discussed above have not been alleviated.

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.

Inflation Reduction Act of 2022 and Tax Cuts and Jobs Act of 2017

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law. The IRA includes a 15% Corporate Alternative Minimum Tax ("Corporate AMT") for tax years beginning after December 31, 2022. We do not expect the Corporate AMT to have a material impact on our consolidated financial statements. Additionally, the IRA imposes a 1% excise tax on net repurchases of stock by certain publicly traded corporations. The excise tax is imposed on the value of the net stock repurchased or treated as repurchased. The new law applies to stock repurchases occurring after December 31, 2022.

Under the Tax Cuts and Jobs Act of 2017, we are required to capitalize R&D expenses for tax purposes and amortize over five years for domestic based expenses and fifteen years for foreign expenses. Given our tax net operating loss carryforward position we do not expect this change to have a material impact on our financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial statements for interim periods in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Form 10-K"). The Company's accounting policies are described in the "*Notes to Consolidated Financial Statements*" in the 2022 Form 10-K and are updated, as necessary, in this Quarterly Report on Form 10-Q. The December 31, 2022 consolidated balance sheet data presented for comparative purposes was derived from the audited financial statements but does not include all disclosures required by U.S. GAAP. The results of operations for the three and nine months ended September 30, 2023, are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

The condensed consolidated financial statements include the accounts of the Company and our subsidiaries, Ondas Networks, 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 value 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 impairment of Goodwill was $19,419,600 for the year ended December 31, 2022, see Note 5 – Goodwill and Business Acquisition, for further details.

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 Ondas Autonomous Systems 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. On September 30, 2023 and December 31, 2022, we had no cash equivalents. Restricted cash includes cash that is not readily available for use in the Company's operating activities. Restricted cash 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 three months ended, and as of September 30, 2023, the Company has maintained balances in excess of federally insured limits. As of September 30, 2023, the Company was $20,053,245 in excess of federally 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 September 30, 2023 and December 31, 2022.

Inventory

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

Inventory consists of the following:

	September 30, 2023	December 31, 2022
Raw Material	$ 2,053,114	$ 2,041,776
Work in Process	378,416	89,080
Finished Goods	248,890	142,415
Less Inventory Reserves	(100,254)	(100,254)
Total Inventory, Net	$ 2,580,166	$ 2,173,017

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 to 7 years for computer equipment, (ii) 5 years for vehicles and docking stations and drones, (iii) 7 years for furniture and fixtures, (iv) 5 to 7 years for development equipment, and (v) 3 years for 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.

Software

Costs incurred internally in researching and developing a software product are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. We have determined that technological feasibility for our software products is reached after all high-risk development issues have been resolved through coding and testing. Generally, this occurs shortly before the products are released to production. The amortization of these costs is included in cost of revenue over the estimated life of the products. As of September 30, 2023 and December 31, 2022, the Company had no internally developed software.

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. The impairment of long-lived assets was $0 for the three months ended September 30, 2023 and 2022 and $12,223 and $11,095 for the nine months ended September 30, 2023 and 2022, 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.

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 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.

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 assets that are required to be valued at fair value as of September 30, 2023 and December 31, 2022. The Company had Level 3 liabilities that are required to be valued at fair value as of September 30, 2023. 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 September 30, 2023, the Company made the following assumptions: (i) royalty payments will be made on future sales through 2026, 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 January 24, 2023	$ 1,783,403
Net (Gain)/Loss on change in fair value of liability	36,077
Repayment on liability	(6,576)
Balance as of March 31, 2023	1,812,904
Government grant liability assumed from Iron Drone asset purchase	307,122
Net (Gain)/Loss on change in fair value of liability	(108,458)
Balance as of June 30, 2023	2,011,568
Government grant proceeds received, adjusted to fair value	128,803
Fair value adjustment to government grant liability assumed from Iron Drone asset purchase	48,795
Net (Gain)/Loss on change in fair value of liability	295,094
Balance as of September 30, 2023	$ 2,484,260

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 consolidated statement of operations.

On July 11, 2023, the Company and the Sales Agent (as defined below), mutually agreed to terminate the ATM Agreement (as defined below), and the Company expensed the remaining deferred offering costs of $151,431 for the three and nine months ended September 30, 2023. For the three and nine months ended September 30, 2022, the Company recorded a reduction in proceeds received of $2,824 and $25,489, respectively, related to the ATM Offering (See Note 10 – Stockholders' Equity). For the three and nine months ended September 30, 2022, the Company expensed offering costs of $0. The deferred offering costs outstanding as of September 30, 2023 and December 31, 2022, were $0 and $145,293, respectively.

Government Grants

The Government liability was assumed through the acquisition of Airobotics and asset purchase of Iron Drone. Airobotics and Iron Drone received 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, and they accept this.

Redeemable Noncontrolling Interests

On July 9, 2023, Ondas Networks Inc. entered into an Agreement with a third party for the sale of redeemable preferred stock in Ondas Networks. 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 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 (see Note 11 – Redeemable Noncontrolling Interest). 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 condensed consolidated balance sheet initially at its acquisition-date estimated redemption value or fair value. In addition, the Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument by accruing dividends at 8% per annum and accreting the redemption value to two times the initial investment over five years 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.

Share-Based Compensation

We calculate share-based compensation expense for option awards ("Share-based Award(s)") based on the estimated grant/issue date fair value using the Black-Scholes-Merton option pricing model ("Black-Scholes Model") and recognize the expense on a straight-line basis over the vesting period. We account for forfeitures as they occur. The Black-Scholes Model requires the use of a number of assumptions including volatility of the stock price, the weighted average risk-free interest rate, and the vesting period in determining the fair value of Share-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 share-based compensation expense are reasonable, these assumptions can involve complex judgments about future events, which are open to interpretation and inherent uncertainty. In addition, significant changes to our assumptions could significantly impact the amount of expense recorded in a given period.

We recognize restricted stock unit expense over the period of vesting or period that services will be provided. Compensation associated with shares of the Company's common stock, par value $0.0001 (the "Common Stock"), issued or to be issued to consultants and other non-employees is recognized over the expected service period beginning on the measurement date, which is generally the time the Company and the service provider enter into a commitment whereby the Company agrees to grant shares in exchange for the services to be provided.

Shipping and Handling

We expense all shipping and handling costs as incurred. These costs are included in Cost of goods sold on the accompanying Consolidated Statements of Operations.

Advertising and Promotional Expenses

We expense advertising and promotional costs as incurred. We recognized expense of $87,073 and $32,586 for the three months ended September 30, 2023, and 2022, respectively, and expense of $145,504 and $63,867 for the nine months ended September 30, 2023, and 2022, respectively. These costs are included in Sales and marketing on the accompanying 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 $60,684 and $106,190 for the three months ended September 30, 2023, and 2022, respectively, and $246,281 and $221,305 for the nine months ended September 30, 2023, and 2022, respectively.

Revenue Recognition

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

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

American Robotics generates revenue by selling a data subscription service to its customers based on the information collected by 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.

Airobotics generates revenue through the sales of their Optimus system and separately priced support, maintenance and ancillary services directly related to the sale of the Airobotics’ Optimus system. Airobotics also generates service revenue by selling a data subscription service to its customers based on the information collected by their autonomous systems.

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

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

Subscription revenue is recognized on straight line basis over the length of the customer subscription agreement. If a subscription payment is received prior to installation and operation of their autonomous systems, it is held in deferred revenue and recognized after operation commences over the length of the subscription service.

Collaboration Arrangements Within the Scope of ASC 808, Collaborative Arrangements

The Company's development revenue includes contracts where the Company and the customer work cooperatively to develop software and hardware applications. The Company analyzes these contracts to assess whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities and are therefore within the scope of ASC Topic 808, Collaborative Arrangements ("ASC 808"). This assessment is performed throughout the life of the arrangement based on changes in the responsibilities of all parties in the arrangement. For collaboration arrangements that are deemed to be within the scope of ASC 808, the Company first determines which elements of the collaboration are deemed to be within the scope of ASC 808 and those that are more reflective of a vendor-customer relationship and therefore within the scope of ASC 606, Revenue from Contracts with Customers ("ASC 606"). The Company's policy is generally to recognize amounts received from collaborators in connection with joint operating activities that are within the scope of ASC 808 as a reduction in research and development expense. As of September 30, 2023, the Company has not identified any contracts with its customers that meet the criteria of ASC 808.

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

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

At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the products or services promised within each contract and determines those that are performance obligations and assesses whether each promised product or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price utilizing the expected value method. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available. Sales and other taxes collected on behalf of third parties are excluded from revenue. For the nine months ended September 30, 2023 and 2022, none of our contracts with customers included variable consideration.

Contracts that are modified to account for changes in contract specifications and requirements are assessed to determine if the modification either creates new or changes the existing enforceable rights and obligations. Generally, contract modifications are for products or services that are not distinct from the existing contract due to the inability to use, consume or sell the products or services on their own to generate economic benefits and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis. For the nine months ended September 30, 2023 and 2022, there were no modifications to contract specifications.

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

Service revenue is comprised of separately priced extended warranty sales, network support and maintenance, remote monitoring, as well as ancillary services directly related to the sale of the Ondas Networks' wireless communications products including wireless network design, systems engineering, radio frequency planning, software configuration, product training, installation, and onsite support. The extended warranty Ondas Networks sells provides a level of assurance beyond the coverage for defects that existed at the time of a sale or against certain types of covered damage. The extended warranty includes 1) factory hardware repair or replacement of the base station and remote radios, at our election, 2) software upgrades, bug fixes and new features of the radio software and network management systems ("NMS"), 3) deployment and network architecture support, and 4) technical support by phone and email. Ancillary service revenues are recognized at the point in time when those services have been provided to the customer and the performance obligation has been satisfied. The Company allocates the transaction price to the service and extended warranty based on the stand-alone selling prices of these performance obligations, which are stated in our contracts. Revenue for the extended warranty is recognized over time.

Development revenue is comprised primarily of non-recurring engineering service contracts to develop software and hardware applications for various customers. For Ondas Networks, in 2022, 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 either recognized at the point in time when those services have been provided to the customer and the performance obligation has been satisfied recognized, or as services are provided over the life of the contract as Ondas Networks has an enforceable right to payment for services completed to date and there is no alternative use of the product, depending on the contract.

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

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

American Robotics generates revenue by selling a data subscription service to its customers based on the information collected by 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. American Robotics' payment terms vary and range from Net 30 to Net 60 days from the date of the invoices for product and services related revenue.

Airobotics' product revenue is comprised of sales of the Airobotics' Optimus system which includes a drone, docking station, different flown sensors (payloads), communications system, batteries, and others. Airobotics' Optimus system is sold with a limited one-year basic warranty included in the price. The limited one-year basic warranty is an assurance-type warranty, is not a separate performance obligation, and thus no transaction price is allocated to it. The nature of tasks under the limited one-year basic warranty only provides for remedying defective product(s) covered by the warranty. Product revenue is generally recognized when the customer obtains control of our product, which occurs at a point in time, and may be upon shipment or upon delivery based on the contractual shipping terms of a contract, or upon installation when the combined performance obligation is not distinct within the context of the contract.

Airobotics' service revenue is comprised of separately priced support and maintenance sales, as well as ancillary services directly related to the sale of the Airobotics' Optimus system including product training, installation, and onsite support. Airobotics 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. 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.

Airobotics' 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. Airobotics' payment terms for the majority of their development related revenue carry milestone-related payment obligations which span the contract life. For milestone-based contracts, the customer reviews the completed milestone and once approved, makes payment pursuant to the applicable contract.

Disaggregation of Revenue

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Type of Revenue				
Product revenue	$ 2,180,472	$ 101,502	$ 8,880,309	$ 673,184
Service and subscription revenue	234,236	174,375	1,289,642	318,247
Development revenue	250,482	356,612	560,194	655,474
Total revenue	$ 2,665,190	$ 632,489	$ 10,730,145	$ 1,646,905

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Timing of Revenue				
Revenue recognized point in time	$ 2,296,035	$ 251,502	$ 9,818,302	$ 823,184
Revenue recognized over time	369,155	380,987	911,843	823,721
Total revenue	$ 2,665,190	$ 632,489	$ 10,730,145	$ 1,646,905

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Country of Revenue, based on location services were provided or product was shipped to:				
United States	$ 2,430,954	$ 632,489	$ 5,081,152	$ 1,646,905
United Arab Emirates	85,268	-	5,320,792	-
Israel	148,968	-	328,201	-
Total revenue	$ 2,665,190	$ 632,489	$ 10,730,145	$ 1,646,905

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. The table below details the activity in our contract assets during the nine months ended September 30, 2023. We did not have any contract assets recorded as of December 31, 2022.

		Nine Months Ended September 30, 2023
Balance at beginning of period	$	-
Contract assets recognized		109,888
Reclassification to Accounts receivable, net		-
Balance at end of period	$	109,888

We recognize a contract liability when we receive consideration, or if we have the unconditional right to receive consideration, in advance of satisfying the performance obligation. A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration, or an amount of consideration is due from the customer. The table below details the activity in our contract liabilities during the nine months ended September 30, 2023, and the year ended December 31, 2022.

		Nine Months Ended September 30, 2023		Year Ended December 31, 2022
Balance at beginning of period	$	61,508	$	512,397
Additions, net		1,962,112		527,268
Transfer to revenue		(1,944,612)		(978,157)
Balance at end of period	$	341,018	$	61,508

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 September 30, 2023, or December 31, 2022 are immaterial to the Company's condensed consolidated financial statements.

Leases

Under Topic 842, operating lease expense is generally recognized evenly over the term of the lease. During the nine months ended September 30, 2023, the Company's operating leases consisted of office space in Sunnyvale, CA (the "Gibraltar Lease"), Marlborough, MA (the "American Robotics Lease"), 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 is $45,000 per month, with a security deposit in the amount of $90,000. On April 1, 2023, the Company amended their lease to extend the lease through September 30, 2023, wherein the base rate is $65,676 per month. On November 6, 2023, the Company amended their lease to further extend the lease through June 30, 2024, wherein the base rate is $68,959 per month.

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

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

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. Each agreement is with respect to different sections of the entire leased area and are in effect through December 31, 2023, February 28, 2024, and November 30, 2024 wherein the base rate of the entire leased area is approximately $20,500 per month.

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 lease commences October 1, 2023, and is an operating lease. Base rent is $77,533 per month, increasing approximately 3% annually, with a security deposit due in the amount of $269,428. Base rent shall be abated during the first twelve months of the term of the lease.

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

Lease Costs

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Components of total lease costs:				
Operating lease expense	$ 224,126	$ 287,862	$ 787,833	$ 779,873
Common area maintenance expense	38,242	41,045	129,348	101,022
Short-term lease costs (1)	248,494	38,967	548,465	117,064
Total lease costs	$ 510,862	$ 367,874	$ 1,465,646	$ 997,959

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

Lease Positions as of September 30, 2023 and December 31, 2022

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

	September 30, 2023	December 31, 2022
Assets:		
Operating lease assets	$ 2,661,009	$ 2,930,996
Total lease assets	$ 2,661,009	$ 2,930,996
Liabilities:		
Operating lease liabilities, current	$ 564,878	$ 580,593
Operating lease liabilities, net of current	2,252,884	2,456,315
Total lease liabilities	$ 2,817,762	$ 3,036,908

Future lease payments included in the measurement of lease liabilities on the unaudited condensed consolidated balance sheet as of September 30, 2023, for the following five years and thereafter are as follows:

Years ending December 31,	
2023(3 months)	$ 225,221
2024	641,913
2025	559,343
2026	559,616
2027	545,250
Thereafter	752,490
Total future minimum lease payments	$ 3,283,833
Less imputed interest	(466,071)
Total	$ 2,817,762

Other Leases Information

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Operating cash flows for operating leases	$ 799,305	$ 598,304
Weighted average remaining lease term (in years) – operating lease	5.13	5.87
Weighted average discount rate – operating lease	5.76%	6.00%

Net Loss Per Common Share

Basic net loss per share is computed by dividing net loss by the weighted average shares of Common Stock outstanding for each period. Diluted net loss per share is the same as basic net loss per share since we have net losses for each period presented.

The following potentially dilutive securities for the three months ended September 30, 2023 and 2022 have been excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive.

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Warrants to purchase Common Stock	12,566,092	1,901,802
Options to purchase Common Stock	4,845,049	2,462,786
Potential shares issuable under 2022 Convertible Exchange Notes	29,319,723	-
Potential shares issuable under Additional Notes	28,908,377	-
Restricted stock units	175,064	1,960,622
Total potentially dilutive securities	75,814,305	6,325,210

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 Federal Deposit Insurance Corporation (FDIC) insurance limits. As of September 30, 2023, the Company was $20,053,245 in excess of federally 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 as needed based on our evaluation each reporting period.

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 one customer accounting for 91% of the Company's revenue for the three-month period ended September 30, 2023. Revenue from significant customers was composed of three customers accounting for 47%, 31% and 18% of the Company's revenue for the nine-month period ended September 30, 2023, respectively. One customer accounted for 92% and 88% of the Company's revenue for the three-month period and nine-month period ended September 30, 2022, respectively.

Accounts receivable from significant customers, those representing 10% or more of the total accounts receivable, were composed of two customers accounting for 64% and 24%, respectively, of the Company's accounts receivable balance as of September 30, 2023. Two customers accounted for 67% and 33%, respectively, of the Company's accounts receivable balance as of December 31, 2022.

Recently Adopted Accounting Pronouncements

In May 2021, the Financial Accounting Standards Board ("FASB") issued accounting standards update ("ASU") 2021-04—Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options, to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this ASU are effective for public and nonpublic entities for fiscal years beginning after December 15, 2021, and interim periods with fiscal years beginning after December 15, 2021. Early adoption was permitted, including adoption in an interim period. The adoption of this pronouncement during the year ended December 31, 2022 had no impact on our accompanying condensed consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"), which simplifies an issuer's accounting for convertible instruments by reducing the number of accounting models that require separate accounting for embedded conversion features. ASU 2020-06 also simplifies the settlement assessment that entities are required to perform to determine whether a contract qualifies for equity classification and makes targeted improvements to the disclosures for convertible instruments and earnings-per-share (EPS) guidance. This update will be effective for the Company's fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Entities can elect to adopt the new guidance through either a modified retrospective method of transition or a fully retrospective method of transition. The Company has elected to adopt the standard early using the modified retrospective method of transition with effect from January 1, 2022. At the time of adoption this did not have a material impact on the consolidated financial statements. However, ASU 2020-06 precluded the Company from having to record a derivative liability for convertible notes entered into during the year ended December 31, 2022.

As of January 1, 2023, the Company adopted the following ASUs, and the adoption had no impact on our accompanying condensed consolidated financial statements:

1. ASU 2022-02, Financial Instruments—Credit Losses: Troubled Debt Restructurings and Vintage Disclosures, as an amendment to ASU No. 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.

2. ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers; and

3. ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

On September 29, 2022, FASB issued Accounting Standards Update (ASU) No. 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations, which enhances the transparency about the use of supplier finance programs for investors and other allocators of capital. Under the new ASU, a company that uses a supplier finance program in connection with the purchase of goods or services will be required to disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. ASU No. 2022-04 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2022, except for the roll forward of the supplier finance program obligations, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The adoption of this pronouncement as of January 1, 2023 did not have a material impact on our accompanying condensed consolidated financial statements.

Recently Issued Accounting Pronouncements and SEC Rules Not Yet Adopted

On September 30, 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2022-03, which (1) clarifies existing guidance when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and (2) introduces new disclosure requirements for equity securities subject to contractual sale restrictions. The ASU clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security. Instead, the contractual sale restriction is a characteristic of the reporting entity. Accordingly, an entity should not consider the contractual sale restriction when measuring the equity security's fair value. Additionally, the ASU clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. 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 consolidated financial statements.

In July 2023, the SEC adopted the final rule under SEC Release No. 33-11216, Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure, requiring disclosure of material cybersecurity incidents on Form 8-K and periodic disclosure of a registrant's cybersecurity risk management, strategy and governance in annual reports. Regulation S-K Item 6 disclosure requirements under this rule will be effective for our fiscal year ending on December 31, 2023. Incident disclosure requirements in Form 8-K will be effective for us on June 15, 2024. The Company is still evaluating for any impact on the Company's consolidated financial statement disclosures from the adoption of this final rule.

In October 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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 consolidated financial statements.

NOTE 3 – OTHER CURRENT ASSETS

Other current assets consist of the following:

	September 30, 2023	December 31, 2022
Prepaid insurance	$ 763,174	$ 782,538
Advance to vendors	172,858	323,698
Deferred offering costs	-	145,293
Contract assets	109,888	-
VAT Input Credit	185,103	-
Other prepaid expenses and current assets	554,227	498,084
Total other current assets	$ 1,785,250	$ 1,749,613

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	September 30, 2023	December 31, 2022
Vehicles	$ 149,916	$ 149,916
Computer equipment	384,321	348,408
Furniture and fixtures	665,349	461,352
Leasehold improvements	3,291,689	2,093,812
Development equipment	350,691	342,142
Docking stations and drones	3,023,364	-
Machinery and equipment	60,321	-
Construction in progress	361,444	330,541
Total property and equipment	8,287,095	3,726,171
Less: accumulated depreciation	(2,843,185)	(702,886)
Net property and equipment	$ 5,443,910	$ 3,023,285

Depreciation expense for the three months ended September 30, 2023 and 2022 was $235,999 and $153,159, respectively. Depreciation expense for the nine months ended September 30, 2023 and 2022 was $648,624 and $280,195, respectively. As of September 30, 2023, there was $2,772,501 of net property and equipment located in Israel.

NOTE 5 – GOODWILL AND BUSINESS ACQUISITION

We account for acquisitions in accordance with FASB ASC 805, "Business Combinations" ("ASC 805"), and goodwill in accordance with ASC 350, "Intangibles — Goodwill and Other" ("ASC 350"). The excess of the purchase price over the estimated fair value of net assets acquired in a business combination is recorded as goodwill.

Airobotics Transaction

On January 23, 2023, the Company, completed the acquisition of Airobotics, pursuant to the Agreement of Merger, dated as of August 4, 2022 (the "Original Airobotics Agreement"), and that certain Amendment to Agreement of Merger, dated November 13, 2022 (the "Airobotics Amendment," and together with the Original Airobotics Agreement, the "Airobotics Agreement"), by and among the Company, Talos Sub Ltd., an Israeli company and a wholly owned subsidiary of the Company ("Merger Sub"), and Airobotics. In accordance with the terms of the Airobotics Agreement, Merger Sub merged with and into Airobotics (the "Merger"), with Airobotics continuing as the surviving company of the Merger and as a wholly owned subsidiary of the Company.

At the effective time of the Merger (the "Effective Time"), each ordinary share of Airobotics, par value NIS 0.01 per share (the "Airobotics Ordinary Shares"), issued and outstanding (other than shares owned by Airobotics or its subsidiaries (dormant or otherwise) or by the Company or Merger Sub) was converted into, and exchanged for 0.16806 (the "Exchange Ratio") fully paid and nonassessable shares of Common Stock of the Company Common Stock, without interest and subject to applicable tax withholdings ("Merger Consideration"). All fractional shares of the Company Common Stock that would have otherwise been issued to a holder of Airobotics Ordinary Shares as part of the Merger Consideration were rounded up to the nearest whole share based on the total number of shares of the Company's Common Stock issued to such holder of Airobotics Ordinary Shares. Holders of Airobotics Ordinary Shares received approximately 2.8 million shares as consideration (excluding approximately 1.7 million shares underlying equity awards to be outstanding following the Merger).

As provided in the Airobotics Agreement, each outstanding option, warrant or other right, whether vested or unvested, to purchase Airobotics Ordinary Shares (each, an "Airobotics Stock Option," and collectively, the "Airobotics Stock Options") issued pursuant to the Airobotics Ltd. 2015 Israeli Share Option Plan and 2020 Incentive Equity Plan (the "Airobotics Plans"), was assumed by Ondas and converted as of the Effective Time into an option, warrant or right, as applicable, to purchase shares of Company Common Stock. Subject to the terms of the relevant Airobotics Stock Option, each Airobotics Stock Option is deemed to constitute an option, warrant, or other right, as applicable, to purchase, on substantially the same terms and conditions as were applicable under such Airobotics Stock Option, a number of shares of Company Common Stock equal to the number of shares of Company Common Stock (rounded up to the nearest whole share) that the holder of such Airobotics Stock Option would have been entitled to receive pursuant to the Merger had such holder exercised such option, warrant, or right to purchase full Airobotics Ordinary Shares immediately prior to the Effective Time at a price per share of Company Common Stock (rounded down to the nearest whole cent) equal to (i) the former per share exercise price for Airobotics Ordinary Shares otherwise purchasable pursuant to such Airobotics Stock Option, divided by (ii) the Exchange Ratio.

As a result of the Merger, the Company is dual listed on The Nasdaq Stock Market and the Tel Aviv Stock Exchange ("TASE"). The first trading day of the Company's shares on TASE was January 26, 2023.

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

Purchase price consideration		
Common Stock – 2,844,291 Shares	$	5,261,938
Vested Stock Options – 605,349 Shares		700,690
Warrants – 586,440 Warrants to purchase shares		-
Total purchase price consideration	$	5,962,628
Estimated fair value of assets acquired:		
Cash and cash equivalents and restricted cash	$	1,049,454
Accounts receivable		112,245
Inventory		1,494,707
Other current assets		835,664
Property and equipment		3,015,602
Right of use asset		339,104
Intangible assets		6,057,926
Other long-term assets		62,851
Total estimated fair value of assets acquired		12,967,553
Estimated fair value of liabilities assumed:		
Accounts payable		969,242
Customer Prepayments		1,602,535
Government grant liability		1,783,403
Other loans		1,140,301
Other payables		1,156,057
Lease liabilities		385,450
Loan from related party		2,032,875
Total estimated fair value of liabilities assumed		9,069,863
Net Assets Acquired	$	3,897,690
Goodwill	$	2,064,938

The exercise price of the warrants included in the purchase price consideration far exceeded the Company's stock price at the date of acquisition, thus the value of warrants was deemed de minimis.

The intangible assets acquired include the developed technology, marketing-related assets, and customer relationships (see Note 6 – Intangible Assets). The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation. The final allocation may include (1) changes in fair values of property, plant and equipment, (2) changes in valuation of intangible assets such as developed technology, marketing-related assets, and customer relationships, as well as goodwill and (3) other changes to assets and liabilities. During the three and nine months ended September 30, 2023, an adjustment of $0 and $68,483 was made to reduce the estimated fair value of property and equipment and increase goodwill, respectively.

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

Our results for the nine months ended September 30, 2023 include results from Airobotics between January 24, 2023 and September 30, 2023. The following unaudited pro forma information presents the Company's results of operations as if the acquisition of Airobotics had occurred on January 1, 2022. The pro forma results do not purport to represent what the Company's results of operations actually would have been if the transactions had occurred on January 1, 2022 or what the Company's operating results will be in future periods.

	(Unaudited)		
	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue, net	$ 736,656	$ 10,762,181	$ 2,294,821
Net loss	$ (16,819,177)	$ (31,133,911)	$ (43,372,673)
Net Loss Per Share – basic and diluted	$ (0.37)	$ (0.61)	$ (0.97)

Goodwill Impairment

The Company has recognized goodwill as part of the American Robotics acquisition in 2021 and Airobotics acquisition in 2023. The changes in the carrying amount of goodwill for the nine months ended September 30, 2023 and year ended December 31, 2022, are as follows:

	Ondas Autonomous Systems
Balance as of January 1, 2022	$ 45,026,583
Impairment loss	(19,419,600)
Balance as of December 31, 2022	25,606,983
Goodwill acquired	2,064,938
Balance as of September 30, 2023	$ 27,671,921

Goodwill is tested for impairment in the fourth quarter after the annual forecasting process. The Company initially carried out a qualitative analysis and determined that because of changes in market conditions as well as a slower increase in revenue than previously forecast, it was more likely than not that goodwill was impaired. The Company engaged a third-party service provider to carry out a valuation of the American Robotics entity. Using a discounted cash flow analysis and revised forecasts for revenue and cash flows that are lower than the previous valuation, it was determined that the fair value of the entity was lower than the carrying value as of December 31, 2022, and an impairment of $19,419,600 was recognized in operating expenses in the Consolidated Statements of Operations for the year ending December 31, 2022, included in our 2022 Form 10-K.

NOTE 6 – INTANGIBLE ASSETS

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

	September 30, 2023			December 31, 2022			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Life
Patents	$ 105,148	$ (38,403)	$ 66,745	$ 82,431	$ (27,331)	$ 55,100	10
Patents in process	147,101	-	147,101	119,760	-	119,760	N/A
Licenses	241,909	(83,808)	158,101	241,909	(65,665)	176,244	10
Software	211,411	(158,698)	52,713	161,284	(84,682)	76,602	3
Trademarks	3,230,000	(695,488)	2,534,512	3,230,000	(453,242)	2,776,758	10
FAA waiver	5,930,000	(1,276,856)	4,653,144	5,930,000	(832,113)	5,097,887	10
Developed technology	27,977,331	(4,899,088)	23,078,243	23,270,614	(2,752,353)	20,518,261	3 - 10
Non-compete agreements	840,000	(840,000)	-	840,000	(840,000)	-	1
Marketing-related assets	890,000	(60,290)	829,710	-	-	-	10
Customer relationships	1,090,000	(165,386)	924,614	60,000	(16,839)	43,161	5
	$ 40,662,900	$ (8,218,017)	$ 32,444,883	$ 33,935,998	$ (5,072,225)	$ 28,863,773	

Amortization expense for the three months ended September 30, 2023 and 2022 was $1,064,798 and $904,059, respectively. Amortization expense for the nine months ended September 30, 2023 and 2022 was $3,103,591 and $2,726,295, respectively.

On March 20, 2022, the Company entered into a Purchase Agreement to acquire the assets of Ardenna, Inc., a leading provider of image processing and machine learning software solutions for rail infrastructure monitoring and inspections. The consideration for the acquisition was $900,000 in cash and 780,000 shares of the Company's Common Stock (the "Ardenna Consideration Shares"). In connection of the acquisition, the parties entered into a Registration Rights and Lock-Up Agreement, which required the Company to file a resale registration statement covering the resale of the Ardenna Consideration Shares no later than ninety (90) days after the closing date and restricted the holder from transferring the Ardenna Consideration Shares for 180 days from the closing date, subject to certain exceptions. On April 5, 2022, the Company completed the acquisition. As a result of this transaction, the Company recognized developed technology in the amount of $6,843,600. The Company filed the registration statement Form S-3 on July 1, 2022, and it was declared effective on July 15, 2022.

On August 31, 2022, the Company entered into an asset purchase agreement with Field of View LLC, a North Dakota limited liability company. The total purchase consideration consisted of $250,000 of cash payable in monthly instalments over twelve months, and $75,520 of shares of the Company's Common Stock, representing 16,000 shares ("FOV Consideration Shares"). The asset purchase agreement restricted the holder from transferring the FOV Consideration Shares for 180 days from the closing date, subject to certain exceptions. The Company acquired computer and research and development equipment amounting to $18,506 and intangibles for developed technology for $307,014. As of September 30, 2023, the cash was paid and equity was issued in full.

On October 19, 2022, Airobotics entered into an Asset Purchase Agreement, as amended, to acquire all of the intellectual property, technical systems, and operations of Iron Drone Ltd. ("Iron Drone"), an Israeli-based company specializing in the development of autonomous counter-drone systems (the "Iron Drone Transaction"). The consideration for the Iron Drone Transaction was (i) $135,000 in cash, (ii) 46,129 shares of the Company's Common Stock, (iii) warrants exercisable for 26,553 shares of the Company's commons stock with an exercise price of $11.95, which shall be exercisable if, during the 48 month period following the closing, the average price per share of the Company's Common Stock exceeds $52.38 for a period of at least 90 consecutive trading days, (iv) a right to acquire 35,377 shares of the Company's Common Stock if during the 48 month period after the closing, the average price per share of the Company's Common Stock exceeds $18.25 for a period of at least 90 consecutive trading days, and (v) a right to acquire 70,753 shares of the Company's Common Stock if during the 48 month period after the closing, the average price per share of Company's Common Stock exceeds $20.27 for a period of at least 90 consecutive trading days. On March 6, 2023, the Company completed the Iron Drone Transaction. The Company acquired intangibles for developed technology for $576,717. As of September 30, 2023, the cash was paid and equity was issued in full.

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

Year Ending December 31,	Estimated Amortization
2023 (3 months)	$ 1,055,821
2024	$ 4,221,472
2025	$ 4,164,693
2026	$ 4,080,964
2027	$ 4,073,803
Thereafter	$ 14,848,130
Total	$ 32,444,883

NOTE 7 – LONG-TERM EQUITY INVESTMENT

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

On July 15, 2022, Ondas Holdings irrevocably subscribed and agreed to purchase 3,357,958 shares of Series Seed Preferred Stock of Dynam for the aggregate price of $1,000,000 representing a subscription price of $0.2978 per share by way of a non-brokered private placement for approximately 8% ownership in Dynam. This brings Ondas Holdings investment in Dynam to 6,499,056 shares or approximately 19% ownership.

This long-term equity investment consists of an equity investment in a private company through preferred shares, which are not considered in-substance Common Stock, that is accounted for at cost, with adjustments for observable changes in prices or impairments, and is classified as long-term equity investment on our consolidated balance sheets with adjustments recognized in other (expense) income, net on our consolidated statements of operations. The Company has determined that the equity investment does not have a readily determinable fair value and elected the measurement alternative. Therefore, the equity investment’s carrying amount will be adjusted to fair value at the time of the next observable price change for the identical or similar investment of the same issuer or when an impairment is recognized. Each reporting period, the Company performs a qualitative assessment to evaluate whether the investment is impaired. The assessment includes a review of recent operating results and trends, recent sales/acquisitions of the investee securities, and other publicly available data. If the investment is impaired, the Company writes it down to its estimated fair value. As of September 30, 2023 and December 31, 2022 the long-term equity investment had a carrying value of $1,500,000 and $1,500,000, respectively.

Our CEO Eric Brock is a director of Dynam and has invested an aggregate of $25,000 in Dynam as of September 30, 2023.

NOTE 8 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	September 30, 2023	December 31, 2022
Accrued payroll and other benefits	$ 1,640,302	$ 390,698
D&O insurance financing payable	96,044	516,619
Accrued professional fees	-	792,367
Accrued purchase consideration	-	145,833
Accrued interest	409,638	176,629
Other accrued expenses and payables	494,373	1,246,847
Total accrued expenses and other current liabilities	$ 2,640,357	$ 3,268,993

NOTE 9 – LONG-TERM 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.

On both September 30, 2023, and December 31, 2022, 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 September 30, 2023, and December 31, 2022 was $36,218 and $40,965, respectively. Interest expense for the three months ended September 30, 2023 and 2022 was $3,750. Interest expense for the nine months ended September 30, 2023 and 2022 was $11,250.

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 intends to use 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 Securities Purchase Agreement ("Amended SPA") to that certain Purchase Agreement. The Amended SPA amends the notes attached as exhibits to the Purchase Agreement.

Pursuant to the terms of the Purchase Agreement, 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”) 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.

A full summary of the Agreement and Waiver, including a full text of the related agreements, are available on the Current Report on Form 8-K filed with the SEC on July 28, 2023.

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 nine months ended September 30, 2023, we issued 7,431,610 common shares as a result of Installment Conversion. 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 ($0.76 as of September 30, 2023). 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.

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 "Additional Notes"), which Additional Notes are convertible into shares of Common Stock under certain conditions more fully described in the Additional Notes. The 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 Additional Notes have a maturity date of July 25, 2025. The 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 Additional Notes bear interest at the rate of 3% per annum. The Additional Notes are payable in monthly installments beginning on August 1, 2023 through the maturity date of July 24, 2025 (each such date, an "Installment Date"). On each Installment Date, we will make monthly payments by converting the applicable Installment Amount (as defined above under the 2022 Convertible Exchange Notes) 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 nine months ended September 30, 2023, we made no cash payments and issued no common shares as a result of Installment Conversion. 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 September 30, 2023) and (y) 92% of the lowest VWAP of the prospective five trading days. The maximum conversion price is $1.45 per share.

On July 25, 2023, the Additional Notes were offered and sold pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-252571) filed with the SEC on January 29, 2021 (as such registration statement became effective on February 5, 2021. On July 25, 2023, the Company filed a prospectus supplement with the SEC in connection with the sale and issuance of the Additional Notes. Oppenheimer & Co. Inc. served as the sole placement agent for the transaction pursuant to the terms of a placement agent agreement, dated October 26, 2022.

As of September 30, 2023, the total outstanding principal on the 2022 Convertible Exchange Notes and Additional Notes was $30,328,344, net of debt discount and issuance costs of $3,061,446. As of December 31, 2022, the total outstanding principal on the 2022 Convertible Promissory Notes was $30,048,135, net of debt discount and issuance costs of $3,251,865. Accrued interest on September 30, 2023, and December 31, 2022 was $409,638 and $176,629, respectively, and is included in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets.

For the three months ended September 30, 2023, we recognized interest expense of $233,493, amortization expense of $426,996 related to the debt discount, and amortization expense of $226,051 related to the issuance costs. For the nine months ended September 30, 2023, we recognized interest expense of $780,485, amortization expense of $1,609,104 related to the debt discount, and amortization expense of $829,357 related to the issuance costs. The remaining unamortized debt discount of $2,032,025 and issuance costs of $1,029,422 as of September 30, 2023 will be amortized via the interest method under ASC 835. Interest expense and amortization expense of the debt discount and issuance costs are included in Interest expense on the Consolidated Statements of Operations.

At the 2023 Annual Meeting of Stockholders held on October 31, 2023, the stockholders approved an amendment to the Floor Price of the 2022 Convertible Exchange Notes and the Additional Notes as the greater of (x) $0.32 and (y) such price that would result in such Conversion Floor Price Condition (as defined in the respective note) not to have occurred with respect to such applicable conversion of the respective note.

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 $3.1 million through September 30, 2023. 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 September 30, 2023, approximately $460,000 in royalties have been paid to the IIA. The Company's royalty liability to the IIA as of September 30, 2023, including grants received by Airobotics and the associated LIBOR interest on all such grants, was $2,011,568. The increase in fair value of the government grant liability, including LIBOR interest expense accrued, was $234,144 for the three months ending September 30, 2023 and $161,764 for the period of January 23, 2023 - September 30, 2023, which is included in Other income (expense), net on the Condensed Consolidated Statements of Operations.

NOTE 10 – STOCKHOLDERS' EQUITY

Common Stock

On September 30, 2023 and December 31, 2022, the Company had 116,666,667 shares of Common Stock, par value $0.0001 (the "Common Stock"), authorized for issuance, of which 55,184,623 and 44,108,661 shares of our Common Stock were issued and outstanding, respectively. On October 31, 2023, stockholders of the Company approved an amendment to the Company's Amended and Restated Articles of Incorporation to increase the number of authorized shares of Common Stock from 116,666,667 to 300,000,000.

Preferred Stock

At September 30, 2023 and December 31, 2022, the Company had 10,000,000 shares of preferred stock, par value $0.0001, authorized, of which 5,000,000 shares are designated as Series A Convertible Preferred Stock ("Series A Preferred") and 5,000,000 shares are non-designated ("blank check") shares. As of September 30, 2023, and December 31, 2023, the Company had no preferred stock outstanding.

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

Form S-3

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

ATM Offering

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

On October 26, 2022, Ondas entered into Amendment No. 1 to the Equity Distribution Agreement with the Sales Agent (“Amendment No. 1”). Amendment No. 1 provides for the reduction of the aggregate offering price from up to $50 million to up to $40 million of shares of its Common Stock.

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

The ATM Shares are issued pursuant to the Form S-3 and the prospectus supplement thereto dated March 22, 2022.

In April 2022 the Company sold 343,045 ATM Shares through the Sales Agent at an average price of $7.49 with the net proceeds of $2.50 million. In connection with the sale of these ATM Shares, the compensation paid by the Company to the Sales Agent was $77,421.

In May 2022 the Company sold 171,775 ATM Shares through the Sales Agent at an average price of $7.19 with the net proceeds of $1.20 million. In connection with the sale of these ATM Shares, the compensation paid by the Company to the Sales Agent was $37,242.

In June 2022 the Company sold 337,859 ATM Shares through the Sales Agent at an average price of $7.12 with the net proceeds of $2.36 million. In connection with the sale of these ATM Shares, the compensation paid by the Company to the Sales Agent was $110,428.

In July 2022 the Company sold 11,995 ATM Shares through the Sales Agent at an average price of $5.62 with the net proceeds of $0.65 million. In connection with the sale of these ATM Shares, the compensation paid by the Company to the Sales Agent was $1,844.

There were no shares sold during the nine months ended September 30, 2023.

On July 11, 2023, the Company and the Sales Agent, mutually agreed to terminate the ATM Agreement. As a result, the Company suspended and terminated the prospectus related to the Company’s Common Stock issuable pursuant to the terms of the ATM Agreement (the “ATM Prospectus”). The termination of the ATM Agreement and ATM Prospectus is effective as of July 11, 2023, at which time the Company expensed the remaining deferred offering costs outstanding of $151,431 related to the ATM Agreement.

Stock Issued for Convertible Debt

The Company issued 1,984,918 and 7,431,610 shares of its Common Stock during the three and nine months ended September 30, 2023, respectively, to the lenders in lieu of cash payments for $164,053 of outstanding interest and $7,148,447 of outstanding principal on the 2022 Convertible Exchange Notes (See Note 9 – Long-term Notes Payable for further details).

Warrants to Purchase Common Stock

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

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

As of December 31, 2022, we had Warrants outstanding to purchase an aggregate of 1,901,802 shares of Common Stock with a weighted-average contractual remaining life of approximately 7.47 years, and exercise prices ranging from $0.03 to $7.89 per share, resulting in a weighted average exercise price of $7.63 per share.

On January 23, 2023, the Company issued warrants to purchase an aggregate of 586,440 shares of Common Stock with exercise prices ranging from $9.26 to $12.35 per share, resulting in a weighted average exercise price of $9.95 per share, as consideration in the acquisition of Airobotics.

On July 21, 2023 and August 11, 2023, the Company issued warrants to purchase an aggregate of 7,825,792 and 2,374,208 shares of Common Stock in Ondas Holdings, respectively, with an exercise price of $0.89 per share, in connection with the sale of redeemable preferred stock in Ondas Networks.

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

	Nine months ended, September 30, 2023
Stock price	$ 1.14-2.00
Risk-free interest rate	4.09-4.70%
Volatility	50.64-55.34%
Expected life in years	0.12-5.00
Dividend yield	0.00%

A summary of our Warrants activity for the nine months ended September 30, 2023 and related information follows:

	Number of Shares Under Warrant	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance on January 1, 2023	1,901,802	$ 7.63	7.47
Issued	586,440	$ 9.95	
Expired	(122,150)	$ 12.35	
Balance on June 30, 2023	2,366,092	$ 7.96	5.78
Issued	10,200,000	$ 0.89	
Balance on September 30, 2023	12,566,092	$ 2.22	4.96

As of September 30, 2023, we had warrants outstanding to purchase an aggregate of 12,566,092 shares of Common Stock with a weighted average contractual remaining life of approximately 4.96 years, and exercise prices ranging from $0.03 to $12.35 per share, resulting in a weighted average exercise price of $2.22 per share.

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 shall be administered by the Board, provided however, that the Board may delegate such administration to the compensation committee (the “Committee”). Subject to the provisions of the 2018 Plan, the Board and/or the Committee shall have authority to grant, in its discretion, incentive stock options, or non-statutory options, stock awards or restricted stock purchase offers (“Equity Awards”). As of September 30, 2023, the balance available to be issued under the 2018 Plan was 1,052,373.

At the 2021 Annual Meeting of Stockholders of the Company held on November 5, 2021, stockholders of the Company approved, among other matters, the Ondas Holdings Inc. 2021 Stock Incentive Plan (the “2021 Plan”). The Committee adopted the 2021 Plan on September 30, 2021, subject to stockholder approval. 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. The 2021 Plan provides for a reserve of 6,000,000 shares of the Company’s Common Stock. As of September 30, 2023, the balance available to be issued under the 2021 Plan was 2,329,444. On October 31, 2023, 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 6,000,000 to 8,000,000 shares.

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 23, 2023, in connection with the acquisition of Airobotics, the Company granted stock options to purchase 1,064,946 shares of Common Stock, of which 773,244 options were vested and the remaining 291,702 vest monthly through November 13, 2025. The vested options have a weighted average contractual remaining life of approximately 6.08 years, an exercise price ranging from $0.49 to $12.35 per share, resulting in a weighted average exercise price of $5.43 per share, and a grant date fair value ranging from $0 to $1.48 per share. The unvested options have a weighted average contractual remaining life of approximately 7.52 years, an exercise price ranging from $0.49 to $24.70 per share, resulting in a weighted average exercise price of $15.80 per share, and a grant date fair value ranging from $0 to $1.45 per share.

On February 9, 2023, the Committee of the Board granted an aggregate of 317,625 stock options to purchase shares of the Company’s Common Stock to certain employees. The stock options vest over a four-year period and are contingent on ongoing employment. They are included in compensation expenses.

On March 16, 2023, the Committee of the Board granted an aggregate of 1,793,000 stock options to purchase shares of the Company’s Common Stock to certain employees. The stock options vest over a four-year period and are contingent on ongoing employment. They are included in compensation expenses.

On March 16, 2023, the Committee of the Board also granted an aggregate of 31,250 stock options to purchase shares of the Company’s Common Stock to certain non-employees. 6,250 stock options vested on the grant date, and 25,000 vest on December 31, 2023. They are included in compensation expenses.

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

	Nine months ended, September 30, 2023
Stock price	$ 1.46-2.06
Risk-free interest rate	3.61-4.82%
Volatility	49.83-58.92%
Expected life in years	0.12-6.25
Dividend yield	0.00%

A summary of our Option activity for the three and nine months ended September 30, 2023 and related information follows:

	Number of Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance on January 1, 2023	2,412,286	$ 5.77	7.58
Granted	3,206,821	$ 3.80	
Forfeited	(153,709)	$ 5.01	
Balance on March 31, 2023	5,465,398	$ 4.64	8.47
Exercised	(1,539)	$ 0.49	
Forfeited	(368,224)	$ 3.59	
Balance on June 30, 2023	5,095,635	$ 4.71	7.59
Exercised	(21,940)	$ 0.49	
Forfeited	(116,396)	$ 4.49	
Expired	(112,250)	$ 4.62	
Balance on September 30, 2023	4,845,049	$ 4.74	7.34
Vested and Exercisable at September 30, 2023	2,225,405	$ 6.43	5.21

As of September 30, 2023, total unrecognized compensation expense related to non-vested stock options was $2,026,874 which is expected to be recognized over a weighted average period of 2.86 years.

Total stock-based compensation expense for stock options for the three and nine months ended September 30, 2023 and 2022 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
General and administrative	$ 1,843	$ 134,989	$ 209,313	$ 340,453
Sales and marketing	126,868	123,796	385,455	386,343
Research and development	103,962	186,169	235,564	582,216
Cost of goods sold	16,144	-	35,166	-
Total stock-based expense related to options	$ 248,817	$ 444,954	$ 865,498	$ 1,309,012

Restricted Stock Units

On February 9, 2023, the Committee approved the grant of 3,000 restricted stock units to an employee. The restricted stock units vest in two successive equal annual installments with the first vesting date commencing on the first anniversary of the award date and are contingent on continuing employment.

On February 9, 2023, the Committee also approved the grant of 66,000 restricted stock units to two employees. The restricted stock units vest as follows: 20% on September 13, 2023, 40% on January 10, 2024, and 40% on February 21, 2024 and are contingent on continuing employment.

On July 6, 2023, the Committee approved the grant of 180,000 restricted stock units to three employees. The restricted stock units vested in July 2023.

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

The following is a summary of restricted stock unit activity for the three and nine months ended September 30, 2023:

	RSUs	Weighted Average Grant Date Fair Value	Weighted Average Vesting Period (Years)
Unvested balance at January 1, 2023	1,110,027	$ 6.89	1.52
Granted	69,000	$ 2.06	
Vested	(43,040)	$ 2.45	
Cancelled	(14,800)	$ 7.19	
Unvested balance at March 31, 2023	1,121,187	$ 6.76	1.25
Vested	(47,490)	$ 2.40	
Cancelled	(412,500)	$ 7.78	
Unvested balance at June 30, 2023	661,197	$ 6.43	0.35
Granted	180,000	$ 0.88	
Vested	(737,907)	$ 5.67	
Cancelled	(27,800)	$ 2.06	
Unvested balance at September 30, 2023	75,490	$ 2.27	0.34

As of September 30, 2023, there were 99,574 restricted stock units that were vested but not yet released due to administrative timing.

In 2023, three employees with restricted stock unit awards separated from the Company. As part of their separation agreements, the employees were granted accelerated vesting on some of their restricted stock unit awards, which was accounted for as a modification of their awards. The result of the modification was a reversal of approximately $2,800,000 of previously recognized stock-based compensation expense during the three and nine months ended September 30, 2023. Total stock-based compensation expense for restricted stock units for the three and nine months ended September 30, 2023 and 2022 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
General and administrative	$ (1,751,531)	$ 662,201	$ (278,224)	$ 1,965,195
Sales and marketing	62,403	9,603	81,296	15,031
Research and development	(826,564)	366,397	(32,220)	1,077,496
Total stock-based expense related to restricted stock units	$ (2,515,692)	$ 1,038,201	$ (229,148)	$ 3,057,722

NOTE 11 – REDEEMABLE NONCONTROLLING INTEREST

On July 9, 2023, Ondas Networks Inc. entered into an Agreement with a third party to purchase Redeemable Preferred Stock in Ondas Networks and the issuance of warrants to purchase 10,200,000 shares of Ondas Holdings.

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 "Original Issue Price"). Such dividends are payable in cash or additional shares of Preferred Stock, with such valuation based on the Original Issue Price. Each share of 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 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 Preferred Stock shall be rounded to the nearest whole share. The 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 Preferred Stock was converted into 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 “Networks Agreement”). Pursuant to the Networks Amendment, in exchange for an initial sale of shares of preferred stock of Ondas Networks, $0.00001 par value per share (the “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 Networks Agreement. No portion of the proceeds will be distributed to the Company.

Also on July 21, 2023, Ondas Networks completed the Initial 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 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 Preferred stock and the warrants issued in connection with this transaction based on relative fair values, with the initial valuation of the noncontrolling interest being $10,406,949. 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.

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 September 30, 2023.

War and Hostilities in Israel

On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Following the attacks, the Security Cabinet of the State of Israel declared a state of war in Israel. Since Airobotics is located in Israel, the war has impacted the availability of our workforce in Israel, as approximately 17% of our workforce in Israel, have been called to active duty. To date, we have not had material disruptions to our ability to produce, manage and deliver products and services to customers as our U.S. teams have supported our ongoing operations in Israel and the Middle East; however, a prolonged war or an escalation of the current conditions in Israel could materially adversely affect our business, financial condition, and results of operations. Due to the recency of these events, and their ongoing and evolving nature, the extent of the adverse effect on our business operations is still unknown. There are no commitments or loss contingencies related to business operations in Israel that are included in the financial statements as of September 30, 2023.

NOTE 13 – SEGMENT INFORMATION

Operating segments are defined as components of an entity for which discrete financial information is available and is regularly reviewed by the CODM in making decisions regarding resource allocation and performance assessment. The Company's CODM is its Chief Executive Officer. The Company determined it has two reportable segments: Ondas Networks and Ondas Autonomous Systems as the CODM reviews financial information for these two businesses separately. The Company has no inter-segment sales. The following table presents segment information for three and nine months ended September 30, 2023:

	Three Months Ended September 30, 2023		
	Ondas Networks	Ondas Autonomous Systems	Total
Revenue, net	$ 2,430,954	$ 234,236	$ 2,665,190
Depreciation and amortization	36,131	1,264,666	1,300,797
Interest income	379	-	379
Interest expense	448,448	445,503	893,951
Stock-based compensation	291,324	(2,558,199)	(2,266,875)
Net loss	(3,840,184)	(3,452,277)	(7,292,461)
Goodwill	-	27,671,921	27,671,921
Capital expenditures	39,451	55,521	94,972
Total assets	$ 21,842,344	$ 78,802,674	$ 100,645,018

	Nine months Ended September 30, 2023		
	Ondas Networks	Ondas Autonomous Systems	Total
Revenue, net	$ 5,079,652	$ 5,650,493	$ 10,730,145
Depreciation and amortization	112,659	3,639,556	3,752,215
Interest income	4,058	3,666	7,724
Interest expense	1,628,151	1,569,449	3,197,600
Stock-based compensation	839,834	(203,484)	636,350
Net loss	(11,998,183)	(18,707,915)	(30,706,098)
Goodwill	-	27,671,921	27,671,921
Capital expenditures	39,451	55,521	94,972
Total assets	$ 21,842,344	$ 78,802,674	$ 100,645,018

NOTE 14 – INCOME TAXES

The Company had a net deferred tax asset of $35.9 million as of December 31, 2022, including a tax benefit from approximately $79 million of net operating loss carry-forwards of $27.5 million. A valuation allowance of $35.9 million was provided against this asset resulting in deferred assets, net of valuation allowance of $0.

Airobotics Ltd. had a tax benefit of approximately $23.1 million as of December 31, 2022, resulting from Israeli tax loss carry-forwards of $110.0 million. These losses are available to offset future profits of Airobotics Ltd. As of the acquisition date of January 23, 2023, the Company estimated that Airobotics had a deferred tax liability of $1.4 million resulting from the acquisition accounting of amortizable intangibles assets. This liability together with a valuation allowance of $21.7 million results in deferred assets, net of valuation allowance of $0, relating to Airobotics.

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

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

As of September 30, 2023 and December 31, 2022, 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 15 – RELATED PARTY TRANSACTIONS

The Company has a long-term equity investment in Dynam with a carrying value of $1,500,000 as of September 30, 2023 and December 31, 2022. See Note 7 – Long-Term Equity Investment. Our CEO Eric Brock is a director of Dynam, and he has invested an aggregate of $25,000 in Dynam as of September 30, 2023.

In addition to the equity investment, the Company paid Dynam for services of $0 and $1,734,560 during the nine months ended September 30, 2023 and 2022, respectively.

As of September 30, 2023 and December 31, 2022, the Company owed $17,500 and $359,159 to independent directors, respectively, which is included in Accrued expenses and other current liabilities.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events as of November 14, 2023, the date the condensed consolidated financial statements were available to be issued according to the requirements of ASC topic 855.

On October 31, 2023, stockholders of the Company approved an amendment to the Company's Amended and Restated Articles of Incorporation to increase the number of authorized shares of Common Stock from 116,666,667 to 300,000,000.

On October 31, 2023, 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 6,000,000 to 8,000,000 shares.

On November 6, 2023, the Company amended the 2021 Gibraltar Lease to further extend the lease through June 30, 2024, wherein the base rate is $68,959 per month.

Subsequent to September 30, 2023, the Company issued approximately 3,127,000 shares as a result of Installment Conversion on the 2022 Convertible Exchange Notes.

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

General

The following discussion and analysis provide information which our management believes to be relevant to an assessment and understanding of the results of operations and financial condition of Ondas Holdings Inc. ("Ondas," "we" or the "Company"). This discussion should be read together with our condensed consolidated financial statements and the notes included therein, which are included in this Quarterly Report on Form 10-Q (the "Report"). This information should also be read in conjunction with the information contained in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission (the "SEC") on March 14, 2023, including the audited consolidated financial statements and notes included therein as of and for the year ended December 31, 2022 ("2022 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. ("Ondas Networks"), American Robotics, Inc. ("American Robotics" or "AR") and Airobotics, Ltd. ("Airobotics"). Ondas Holdings acquired Airobotics, an Israeli-based developer of autonomous drone systems on January 23, 2023. American Robotics and Airobotics are operated together, under a separate business unit called Ondas Autonomous Systems. Ondas Networks and Ondas Autonomous Systems together provide users in rail, energy, mining, agriculture, public safety and critical infrastructure and government markets with improved connectivity, data collection capabilities, and data collection and information processing capabilities. We operate Ondas Networks and Ondas Autonomous Systems as separate business segments, and the following is a discussion of each segment. See Note 1 and Note 2 of the accompanying 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, drones, oil and gas, and public safety, homeland security and government, where secure, reliable and fast operational decisions are required in order to improve efficiency and ensure a high degree of safety and security.

We design, develop, manufacture, sell and support FullMAX, our patented, Software Defined Radio ("SDR") platform for secure, licensed, private, wide-area broadband networks. Our customers install FullMAX systems in order to upgrade and expand their legacy wide-area network infrastructure. Our MC-IoT intellectual property has been adopted by the Institute of Electrical and Electronics Engineers ("IEEE"), the leading worldwide standards body in data networking protocols, and forms the core of the IEEE 802.16s standard. Because standards-based communications solutions are preferred by our mission-critical customers and ecosystem partners, we have taken a leadership position in IEEE as it relates to wireless networking for industrial markets. As such, management believes this standards-based approach supports the adoption of our technology across a burgeoning ecosystem of global partners and end markets.

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

Our Partnership with Siemens Mobility

In April 2020, Ondas Networks entered into a strategic partnership with Siemens Mobility ("Siemens"), a worldwide leader in seamless, sustainable, reliable and secure transportation solutions for more than 160 years, to both market our FullMAX-based networking technology and services and to jointly develop wireless communications products for the North American Rail Industry based on Siemens' Advanced Train Control System ("ATCS") protocol and our FullMAX MC-IoT platform.

We believe Siemens has both the sales and marketing reach and support to drive our technology to wide scale acceptance across the global rail market beginning with the North American Class I Railroad market. In the third quarter of 2021 we completed the development of our first jointly-developed product with Siemens – the dual-mode ATCS/MC-IoT radio systems. Siemens is now marketing and selling these proprietary systems under the brand name *Airlink* to our railroad customers. The dual-mode ATCS radio systems support Siemens' extensive installed base of ATCS radios as well as offer Siemens' customers the ability to support a host of new advanced rail applications utilizing our MC-IoT wireless system. These new applications, including Advanced Grade Crossing Activation and Monitoring, Wayside Inspection, Railcar Monitoring and next generation signaling and train control systems, are designed to increase railroad productivity, reduce costs and improve safety. In addition, Siemens markets and sells Ondas Networks' standalone MC-IoT 802.16 products under the Siemens *Airlink brand.*

Our relationship with Siemens has expanded significantly since entering into the partnership both with (i) the wider marketing of our wireless technology platform and (ii) multiple additional joint-product programs. Siemens has expanded its marketing reach of Ondas Networks products with identified opportunities in North American Passenger and Transit Rail as well as in European and Asian Rail markets. We believe our technology has broad potential in these large, newly targeted markets.

In November 2021, Siemens secured its first commercial 900 MHz rail order for a major Class I Railroad in the United States which was delivered in December 2021. In August 2022, we announced that we had secured an initial volume order from Siemens for the Class I Rail 900 MHz Network consisting of both ATCS compatible products along with Ondas' catalog products. In September 2022, we received government authorization to sell ATCS radios in Canada. In March 2023 the Association of American Railroads ("AAR") formally announced that IEEE 802.16 standard would be the wireless platform for the greenfield 900 MHz network. The AAR also confirmed they have agreed with the Federal Communications Committee to retire the legacy 900 MHs band by September 2025 and that the wireless network in the new 900 MHz band would be substantially built by April 2026.

Additional Critical Markets

We have launched additional initiatives to take our MC-IoT connectivity and ecosystem partnering strategy into other critical infrastructure markets. In June 2022, we announced the first successful installation of our technology into an Integrated Coastal Surveillance System (ICSS) in the Caribbean with a global defense contractor. In the fourth quarter of 2022, we received and delivered on a new ICSS order for the defense contractor to be deployed in India. We expect additional orders from this defense vendor for the ICSS application in 2023. We believe our FullMAX technology's licensed frequency flexibility, reliability, and long communications range over ocean surfaces, is broadening the scale of our technology in this emerging market for homeland security.

Ondas Autonomous Systems Segment

Our Ondas Autonomous Systems business unit designs, develops, and markets commercial drone solutions via the Optimus System™ and Scout System™ (the "Autonomous Drone Platforms").

The Autonomous Drone Platforms are highly automated, AI-powered drone systems capable of continuous, remote operation and are marketed as "drone-in-a-box" turnkey data solution services. They are deployed for critical industrial and government applications where data and information collection and processing are required. These use cases include public safety, security and smart city deployments where routine, high-resolution automated emergency response, mapping, surveying, and inspection services are highly valued, in addition to industrial markets such as oil & gas, rail and ports which emphasize security and inspection solutions. The Autonomous Drone Platforms are typically provided to customers under a Data-as-a-Service (DaaS) business model, while some customers will choose to purchase and own and operate an Optimus Systems™.

American Robotics and Airobotics have industry leading regulatory successes which include having the first drone system approved by the Federal Aviation Administration (“FAA”) for automated operation beyond-visual-line-of-sight (BVLOS) without a human operator on-site.

In addition to the Autonomous Drone Platforms, we also offer a counter-drone system called the Raider™. The Raider™ was developed by Iron Drone Ltd. (“Iron Drone”), an Israeli-based company specializing in the development of autonomous counter-drone systems, and is deployed by government and enterprise customers to provide security and protect critical infrastructure, assets and people from the threat of hostile drones. Ondas Holdings acquired the assets of Iron Drone on March 6, 2023.

Autonomous Drone Platforms

We design, develop and manufacture autonomous drone systems, providing high-fidelity, ultra-high-resolution aerial data to enterprise and government customers. We currently prioritize the marketing of our Optimus System™ which provides customers with a turnkey data and information solution and the ability to continuously digitize, analyze, and monitor their assets and field operations in real-time or near real-time. We believe the market opportunity for our Scout System™ remains significant. As we drive market adoption with the Optimus platform, we anticipate re-introducing the Scout platform including newly enhanced versions to help segment the market for different use cases and price points.

The Optimus System™ has been designed from the ground up as an end-to-end product capable of continuous unattended operations in the real world. Powered by innovations in robotics automation, machine vision, edge computing, and AI. Once installed in the field at customer locations, a fleet of connected Optimus Systems™, which are often deployed as networked drone infrastructure, which we refer to as Urban Drone Infrastructure, remains indefinitely positioned in an area of operation, automatically collecting and seamlessly delivering data and information regularly and reliably.

We market the Optimus System™ under a DaaS business model, whereby our drone platform aggregates customer data and provides the data analytics meeting customer requirements in return for an annual subscription fee. Some customers purchase Optimus Systems™ to own and operate themselves. We also engage distributors to assist in the sales and marketing of our Optimus System™ in geographic markets where it is more cost effective to identify and service potential customers by engaging local third parties. These distribution agreements can include joint ventures, where Ondas Autonomous Systems will provide technical expertise to support the joint venture partner in the provision of aerial data services to customers.

The Optimus System™ consists of (i) Optimus™, a highly automated, AI-powered drone with advanced imaging payloads, (ii) the Airbase™, a ruggedized weatherproof base station for housing, battery swapping, battery charging, payload swapping, data processing, and cloud transfer, and (iii) Insightful™, a secure web portal and API which enables remote interaction with the system, data, and resulting analytics anywhere in the world. These major subsystems are connected via a host of supporting technologies. Airbase™ has internal robotic systems that enable the automated swapping of batteries and payloads. Automated battery swapping allows for 24/7 operation of Optimus as the Optimus drone can immediately be redeployed after returning to the dock for a battery swap. Similarly, the ability to autonomously swap sensors and advanced payloads without human intervention allows for the Optimus System to provide multiple applications and use cases from a single location.

American Robotics and Airobotics have industry leading regulatory successes which include having the first drone system approved by the FAA for automated operation BVLOS without a human operator or visual observer on-site. American Robotics’ FAA approvals were enabled by integrating a suite of proprietary technologies, including Detect-and-Avoid (“DAA”) and other proprietary intelligent safety systems into its autonomous drone platform, which we plan to integrate into the Optimus System™. Airobotics is in the advanced stages of receiving approval for Type Certification (“TC”) from the FAA for the Optimus UAV. TC approval will enable expanded operation for the Optimus System™ in the United States including flight operations in populated areas.

The Raider™

The Raider™ is a counter-drone system, which was designed and developed by Iron Drone, that we are marketing to government and enterprise customers who can utilize the system for security and the protection of critical infrastructure, assets and people from the threat of hostile drones. A typical Raider™ deployment location would include sensitive locations such as borders, stadiums or schools, or near critical assets such as power plants and military bases, and for high profile locations such as amusement parks or where public events are held.

The Raider™ is designed to detect, track and intercept unauthorized, or hostile unmanned aircraft and is most often sold with three small UAVs that are housed in a docking station. The Raider UAV has live video capability and a payload containing a net that can be deployed to intercept a hostile drone. Upon detection of an unauthorized drone, one or more Raider™ UAVs can be autonomously deployed at high speeds to track the unauthorized aircraft. If the unauthorized aircraft is deemed hostile, the Raider™ UAV can deploy the netting to physically intercept the aircraft. A parachute integrated with the netting allows the intercepted drone to safely fall to the ground for collection by our customer.

War in Israel

On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Following the attacks, the Security Cabinet of the State of Israel declared a state of war in Israel. Since Airobotics is located in Israel, the war has impacted the availability of our workforce in Israel, as approximately 17% of our workforce in Israel, have been called to active duty. To date, we have not had material disruptions to our ability to produce, manage and deliver products and services to customers as our U.S. teams have supported our ongoing operations in Israel and the Middle East; however, a prolonged war or an escalation of the current conditions in Israel could materially adversely affect our business, financial condition, and results of operations. Due to the recency of these events, and their ongoing and evolving nature, the extent of the adverse effect on our business operations is still unknown.

Inflation Reduction Act of 2022 and Tax Cuts and Jobs Act of 2017

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law. The IRA includes a 15% Corporate Alternative Minimum Tax ("Corporate AMT") for tax years beginning after December 31, 2022. We do not expect the Corporate AMT to have a material impact on our consolidated financial statements. Additionally, the IRA imposes a 1% excise tax on net repurchases of stock by certain publicly traded corporations. The excise tax is imposed on the value of the net stock repurchased or treated as repurchased. The new law will apply to stock repurchases occurring after December 31, 2022.

Under the Tax Cuts and Jobs Act of 2017, we are required to capitalize R&D expenses for tax purposes and amortize over five years for domestic based expenses and fifteen years for foreign expenses. Given our tax net operating loss carryforward position we do not expect this change to have a material impact on our financial statements.

Results of Operations

Three months ended September 30, 2023 compared to three months ended September 30, 2022

	Three Months Ended September 30,		
	2023	2022	Increase (Decrease)
Revenue, net	$ 2,665,190	$ 632,489	$ 2,032,701
Cost of goods sold	2,110,312	233,001	1,877,311
Gross profit	554,878	399,488	155,390
Operating expenses:			
General and administrative	2,563,319	7,362,274	(4,798,955)
Sales and marketing	1,224,144	792,613	431,531
Research and development	2,701,436	5,793,345	(3,091,909)
Total operating expenses	6,488,899	13,948,232	(7,459,333)
Operating loss	(5,934,021)	(13,548,744)	(7,614,723)
Other income (expense), net	(1,358,440)	(29,597)	1,328,843
Net loss	$ (7,292,461)	$ (13,578,341)	$ (6,285,880)

Revenues

	Three Months Ended September 30,		
	2023	2022	Increase
Revenue, net			
Ondas Networks	$ 2,430,954	$ 583,114	$ 1,847,840
Ondas Autonomous Systems	234,236	49,375	184,861
Total	$ 2,665,190	$ 632,489	$ 2,032,701

Our revenues increased by $2,032,701 to $2,665,190 for the three months ended September 30, 2023, compared to $632,489 for the three months ended September 30, 2022. Revenues during the three months ended September 30, 2023, included $2,180,472 for products, $234,236 for maintenance, service, support, and subscriptions, and $250,482 for development agreements with Siemens. Revenues during the three months ended September 30, 2022, included $235,172 for products, $190,705 for maintenance, service and support and $206,612 for development agreements with Siemens. The increase in our revenues were primarily the result of an increase of approximately $1,800,000 in product sales to Siemens and acquiring Airobotics, which had $234,236 of revenue during the three months ended September 30, 2023.

Cost of goods sold

Our cost of goods sold increased by $1,877,311 to $2,110,312 for the three months ended September 30, 2023, compared to $233,001 for the three months ended September 30, 2022. The increase in cost of goods sold was primarily a result of an increase in Ondas Networks' product revenue, which resulted in an increase in cost of goods sold of approximately $1,309,000, and acquiring Airobotics, which resulted in an increase of approximately $592,000, offset by a decrease of approximately $24,000 in American Robotics.

Gross profit

Our gross profit increased by $155,390 for the three months ended September 30, 2023, compared to the three months ended September 30, 2022, based on the changes in revenues and costs of goods sold as discussed above. Gross margin for the three months ended September 30, 2023 and 2022 was 21% and 63%, respectively. The decrease in gross margin was primarily a result of fixed manufacturing costs combined with lower revenue at Airobotics, and the increase in product sales at Ondas Networks, which was primarily made up of lower margin products for the three months ended September 30, 2023.

Operating Expenses

	Three Months Ended September 30,		
	2023	2022	Increase (Decrease)
Operating expenses:			
General and administrative	$ 2,563,319	$ 7,362,274	$ (4,798,955)
Sales and marketing	1,224,144	792,613	431,531
Research and development	2,701,436	5,793,345	(3,091,909)
Total	$ 6,488,899	$ 13,948,232	$ (7,459,333)

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

	Three Months Ended September 30,	
	2023	2022
Human resource costs, including benefits	11%	38%
Travel and entertainment	2%	3%
Other general and administration costs:		
Professional fees and consulting expenses	20%	17%
Other expense	11%	9%
Depreciation and amortization	21%	7%
Other research and deployment costs, excluding human resources and travel and entertainment	31%	25%
Other sales and marketing costs, excluding human resources and travel and entertainment	4%	1%

Operating expenses decreased by $7,459,333, or 53%, as a result of the following items:

	Three Months Ended September 30, 2023
Human resource costs, including benefits	$ (4,564,031)
Travel and entertainment	(233,307)
Other general and administration costs:	
Professional fees and consulting costs	(1,114,049)
Other expense	(476,559)
Depreciation and amortization	309,145
Other research and development costs, excluding human resources and travel and entertainment	(1,460,682)
Other sales and marketing costs, excluding human resources and travel and entertainment	80,150
	$ (7,459,333)

The decrease in operating expenses was primarily due to: (i) a decrease of approximately $4,564,000 in human resource costs, of which approximately $3,778,000 relates to a decrease in stock-based compensation due to employee separations during the period and approximately $786,000 relates to a net decrease in headcount in the Ondas Autonomous Systems segment; (ii) a decrease in travel and entertainment of approximately $233,000 as a result of synergies achieved by integrating American Robotics and Airobotics; (iii) a decrease of approximately $1,114,000 in professional fees and consulting costs, of which approximately $800,000 relates to professional fees in connection with the acquisition of Airobotics and approximately $314,000 relates to synergies achieved by integrating American Robotics and Airobotics; (iv) a decrease of approximately $477,000 in other expense as a result of synergies achieved by integrating American Robotics and Airobotics; (v) an increase in depreciation and amortization of approximately $309,000 related to the acquisition of Airobotics and the assets of Iron Drone; (vi) a decrease of approximately $1,461,000 in other research and development costs, excluding human resources and travel and entertainment, which relates to synergies achieved by integrating American Robotics and Airobotics; and (vii) an increase of approximately $80,000 in other sales and marketing costs, excluding human resources and travel and entertainment, of which relates to the acquisition of Airobotics.

Operating Loss

	Three Months Ended September 30,		
	2023	2022	Decrease
Operating loss	$ (5,934,021)	$ (13,548,744)	$ (7,614,723)

As a result of the foregoing, our operating loss decreased by $7,614,723, or 56%, to $5,934,021 for the three months ended September 30, 2023, compared with $13,548,744 for the three months ended September 30, 2022. Operating loss decreased primarily as a result of the decreased operating expenses as discussed above.

Other Income (Expense), net

	Three Months Ended September 30,		
	2023	2022	Increase
Other income (expense), net	$ (1,358,440)	$ (29,597)	$ (1,328,843)

Other expense, net increased by $1,328,843, to $1,358,440 for the three months ended September 30, 2023, compared with the other expense, net of $29,597 for the three months ended September 30, 2022. During the three months ended September 30, 2023, we reported (i) an increase in interest expense of approximately $233,000, amortization of debt discount of approximately $427,000, and amortization of debt issuance costs of approximately $226,000 for the 2022 Convertible Exchange Notes and Additional Notes; (ii) an increase in impairment of deferred offering costs of approximately $116,000 related to the termination of the ATM Agreement; (iii) an increase in loss on foreign exchange of approximately $45,000 at Airobotics; and (iv) an increase in other expense of approximately $295,000 due to change in fair value of government grant liability.

Net Loss

	Three Months Ended September 30,		
	2023	2022	Decrease
Net Loss	$ (7,292,461)	$ (13,578,341)	$ (6,285,880)

As a result of the net effects of the foregoing, net loss decreased by $6,285,880, or 46%, to $7,292,461 for the three months ended September 30, 2023, compared with $13,578,341 for the three months ended September 30, 2022. Net loss per share of Common Stock, basic and diluted, was $(0.15) for the three months ended September 30, 2023, compared with $(0.32) for the three months ended September 30, 2022.

<u>Nine months ended September 30, 2023 compared to nine months ended September 30, 2022</u>

	Nine Months Ended September 30,		
	2023	2022	Increase (Decrease)
Revenue, net	$ 10,730,145	$ 1,646,905	$ 9,083,240
Cost of goods sold	6,076,595	806,571	5,270,024
Gross profit	4,653,550	840,334	3,813,216
Operating expenses:			
General and administrative	13,347,278	18,727,626	(5,380,348)
Sales and marketing	4,205,217	2,210,021	1,995,196
Research and development	14,184,420	14,815,852	(631,432)
Total operating expenses	31,736,915	35,753,499	(4,016,584)
Operating loss	(27,083,365)	(34,913,165)	(7,829,800)
Other income (expense), net	(3,622,733)	(67,000)	3,555,733
Net loss	$ (30,706,098)	$ (34,980,165)	$ (4,274,067)

Revenues

	Nine Months Ended September 30,		
	2023	2022	Increase
Revenue, net			
Ondas Networks	$ 5,079,652	$ 1,453,658	$ 3,625,994
Ondas Autonomous Systems	5,650,493	193,247	5,457,246
Total	$ 10,730,145	$ 1,646,905	$ 9,083,240

Our revenues increased by $9,083,240 to $10,730,145 for the nine months ended September 30, 2023, compared to $1,646,905 for the nine months ended September 30, 2022. Revenues during the nine months ended September 30, 2023, included $8,880,309 for products, $1,289,642 for maintenance, service, support, and subscriptions, and $560,194 for development agreements with Siemens. Revenues during the nine months ended September 30, 2022, included $673,184 for products, $318,247 for maintenance, service, support, and subscriptions and $655,474 for development agreements with Siemens. The increase in our revenues were primarily the result of increased product sales to Siemens, and acquiring Airobotics, which had $5,648,993 of revenue from January 24, 2023 through September 30, 2023.

Cost of goods sold

Our cost of goods sold increased by $5,270,024 to $6,076,595 for the nine months ended September 30, 2023, compared to $806,571 for the nine months ended September 30, 2022. The increase in cost of goods sold was primarily a result of acquiring Airobotics, which resulted in an increase of approximately $3,050,000, and an increase in Ondas Networks' product revenue, which resulted in an increase in cost of goods sold of approximately $2,220,000.

Gross profit

Our gross profit increased by $3,813,216 for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, based on the changes in revenues and costs of goods sold as discussed above. Gross margin for the nine months ended September 30, 2023 and 2022 was 43% and 51%, respectively. The decrease in gross margin was primarily a result of the sale of lower margin products at Ondas Networks.

Operating Expenses

	Nine Months Ended September 30,		
	2023	2022	Increase (Decrease)
Operating expenses:			
General and administrative	$ 13,347,278	$ 18,727,626	$ (5,380,348)
Sales and marketing	4,205,217	2,210,021	1,995,196
Research and development	14,184,420	14,815,852	(631,432)
Total	$ 31,736,915	$ 35,753,499	$ (4,016,584)

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

	Nine Months Ended September 30,	
	2023	2022
Human resource costs, including benefits	37%	41%
Travel and entertainment	2%	3%
Other general and administration costs:		
Professional fees and consulting expenses	11%	12%
Other expense	8%	10%
Depreciation and amortization	12%	8%
Other research and deployment costs, excluding human resources and travel and entertainment	27%	25%
Other sales and marketing costs, excluding human resources and travel and entertainment	3%	1%

Operating expenses decreased by $4,016,584, or 11%, as a result of the following items:

	Nine Months Ended September 30, 2023
Human resource costs, including benefits	$ (3,063,914)
Travel and entertainment	(337,653)
Other general and administration costs:	
Professional fees and consulting costs	(609,642)
Other expense	(886,291)
Depreciation and amortization	900,042
Other research and development costs, excluding human resources and travel and entertainment	(590,630)
Other sales and marketing costs, excluding human resources and travel and entertainment	571,504
	$ (4,016,584)

The increase in operating expenses was primarily due to: (i) a decrease of approximately $3,064,000 in human resource costs, of which approximately $2,953,000 relates to the added headcount from the Airobotics acquisition, an increase of approximately $750,000 related to an increase in headcount at Ondas Networks, offset by a decrease of approximately $6,693,000 for a decrease in headcount and stock-based compensation at American Robotics and a decrease of approximately $74,000 at Ondas Holdings for a decrease in bonus compensation; (ii) a decrease in travel and entertainment of approximately $338,000 as a result of synergies achieved by integrating American Robotics and Airobotics; (iii) a decrease of approximately $610,000 in professional fees and consulting costs, of which approximately $367,000 relates to professional fees in connection with the acquisition of Airobotics and approximately $243,000 is a result of synergies achieved by integrating American Robotics and Airobotics; (iv) a decrease of approximately $886,000 in other expense, of which approximately $845,000 is a result of synergies achieved by integrating American Robotics and Airobotics, and approximately $167,000 relates to a reduction in Directors and Officers insurance at Ondas Holdings, offset by an increase of approximately $126,000 in rent expense at Ondas Networks; (v) an increase of approximately $900,000 in depreciation and amortization expense related to the acquisition of Airobotics and the assets of Iron Drone; (vi) an decrease of approximately $591,000 in other research and development costs, excluding human resources and travel and entertainment, of which $1,485,000 relates to synergies achieved by integrating American Robotics and Airobotics, offset by an increase of approximately $894,000 in research and development contractor costs at Ondas Networks as we continue to invest in our technology; and (vii) an increase of approximately $572,000 in other sales and marketing costs, excluding human resources and travel and entertainment, of which approximately $695,000 relates to the acquisition of Airobotics, net of synergies achieved by integrating American Robotics and Airobotics, offset by a decrease of approximately $123,000 at Ondas Networks.

Operating Loss

	Nine Months Ended September 30,		
	2023	2022	Decrease
Operating loss	$ (27,083,365)	$ (34,913,165)	$ (7,829,800)

As a result of the foregoing, our operating loss decreased by $7,829,800, or 22%, to $27,083,365 for the nine months ended September 30, 2023, compared with $34,913,165 for the nine months ended September 30, 2022. Operating loss decreased primarily as a result of increased gross profit and a decrease in operating expenses described above, for the nine months ended September 30, 2023.

Other Income (Expense), net

	Nine Months Ended September 30,		
	2023	2022	Increase
Other income (expense), net	$ (3,622,733)	$ (67,000)	$ 3,555,733

Other expense, net increased by $3,555,733, to $3,622,733 for the nine months ended September 30, 2023, compared with the other expense, net of $67,000 for the nine months ended September 30, 2022. During the nine months ended September 30, 2023, we reported (i) an increase in interest expense of approximately $780,000, amortization of debt discount of approximately $1,609,000, and amortization debt issuance costs of approximately $829,000 for the 2022 Convertible Exchange Notes and Additional Notes; (ii) an increase in impairment of deferred offering costs of approximately $116,000 related to the termination of the ATM Agreement; (iii) an increase in loss on foreign exchange of approximately $84,000 at Airobotics; and (iv) an increase in other expense of approximately $213,000 due to change in fair value of government grant liability.

Net Loss

	Nine Months Ended September 30,		
	2023	2022	Increase
Net Loss	$ (30,706,098)	$ (34,980,165)	$ (4,274,067)

As a result of the net effects of the foregoing, net loss decreased by $4,274,067, or 12%, to $30,706,098 for the nine months ended September 30, 2023, compared with $34,980,165 for the nine months ended September 30, 2022. Net loss per share of Common Stock, basic and diluted, was $(0.62) for the nine months ended September 30, 2023, compared with $(0.83) for the nine months ended September 30, 2022.

<u>Summary of (Uses) and Sources of Cash</u>

	Nine Months Ended September 30,	
	2023	2022
Net cash flows used in operating activities	$ (28,108,744)	$ (26,198,673)
Net cash flows provided by (used in) investing activities	644,936	(5,497,069)
Net cash flows provided by financing activities	18,700,603	6,164,176
Decrease in cash and cash equivalents	(8,763,205)	(25,531,566)
Cash, cash equivalents, and restricted cash, beginning of period	29,775,096	40,815,123
Cash, cash equivalents, and restricted cash, end of period	$ 21,011,891	$ 15,283,557

The principal use of cash in operating activities for the nine months ended September 30, 2023, was to fund the Company's current expenses primarily related to operating activities necessary to allow us to service and support customers. The increase in cash flows used in operating activities of $1,910,071 was primarily due to changes in operating assets and liabilities resulting in a cash outflow of approximately $5,890,000, offset by a decrease in net loss of approximately $4,274,000, of which approximately $294,000 related to non-cash and credits, including depreciation, amortization of debt discount, amortization of intangibles assets and right of use asset, and stock-based compensation. For a summary of our outstanding operating leases, see Note 2 – Summary of Significant Accounting Policies in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

The increase in cash flows provided by investing activities of $6,142,005, relates to $1,049,454 cash acquired with Airobotics acquisition, combined with a decrease of approximately $661,000 in cash paid for asset acquisitions, a decrease of approximately $1,000,000 in cash paid for an investment in Dynam AI and a decrease of approximately $3,431,000 in cash paid for purchase of equipment and patent costs.

The cash flows provided by financing activities increased $12,536,427 primarily due to proceeds of approximately $9,310,000 from issuance of Additional Notes, proceeds of approximately $14,692,000 from sale of noncontrolling interest in Ondas Networks, offset by cash payments of approximately $4,355,000 on the 2022 Convertible Exchange Notes, and cash payments of $1,147,000 for Airobotics related debt. For a summary of our outstanding Long-Term Notes Payable, see Note 9 in the accompanying Notes to Unaudited Condensed Consolidated Financial Statements. The cash flows provided by financing activities for the nine months ended September 30, 2022 includes proceeds from the sale of shares under the ATM Offering, amounting to approximately $6,099,000.

Liquidity and Capital Resources

We have incurred losses since inception and have funded our operations primarily through debt and the sale of capital stock. On September 30, 2023, we had an accumulated deficit of approximately $184,221,000. On September 30, 2023, we had net long-term borrowings outstanding of approximately $6,576,000, net of debt discount and issuance costs of approximately $529,000, and short-term borrowings outstanding of approximately $26,537,000, net of debt discount and issuance costs of approximately $2,533,000. On September 30, 2023, we had total cash and restricted cash of approximately $21,012,000 and a working capital deficit of approximately $5,283,000.

In July and August 2023, the Company raised $15,000,000 in gross proceeds from the sale of redeemable preferred stock in Ondas Networks and warrants to purchase shares of Common Stock (as defined below) in Ondas Holdings and approximately $9,310,000 in net proceeds from the sale of convertible debt. These amounts are included in the total cash and restricted cash of approximately $21,012,000 as of September 30, 2023.

We expect to fund our operations for the next twelve months from the filing date of this Quarterly Report on Form 10-Q from 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. There is substantial doubt that the funding plans will be successful and therefore the conditions discussed above have not been alleviated.

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

Off-Balance Sheet Arrangements

As of September 30, 2023, 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 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 2022 Form 10-K. There have been no significant changes in our critical accounting policies since the filing of the 2022 Form 10-K.

Recent Accounting Pronouncements

There have been no material changes to our significant accounting policies as summarized in Note 2 of our 2022 Form 10-K, except for the addition of Airobotics accounting policies related to revenue recognition and government grants. We do not expect that the adoption of any recent accounting pronouncements will have a material impact on our accompanying condensed consolidated financial statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, as well as information included in oral statements or other written statements made or to be made by us, contain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are neither historical facts nor assurances of future performance. These forward-looking statements are based on our current, reasonable expectations and assumptions, which expectations and assumptions are subject to risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in 2022 Form 10-K, which was filed with the SEC on March 14, 2023, and the risks discussed under the caption "Risk Factors" included in this Quarterly Report on Form 10-Q. Given these risks and uncertainties, readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, except as required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Interim 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 September 30, 2023. Based on that evaluation, the Company's Chief Executive Officer and the Company's Interim 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 September 30, 2023.

Changes in Internal Control Over Financial Reporting

Except for the controls added as a result of acquiring and integrating Airobotics, 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 September 30, 2023 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, 2022, the occurrence of any one of which could have a material adverse effect on our actual results.

There have been no material changes to the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, except as set forth below.

The price of our common stock does not meet the requirements for continued listing on The Nasdaq Stock Market LLC ("Nasdaq"). If we fail to regain compliance with the minimum listing requirements, our common stock will be subject to delisting. Our ability to publicly or privately sell equity securities and the liquidity of our common stock could be adversely affected if our common stock is delisted.

On October 3, 2023, we received a letter (the "Nasdaq Staff Deficiency Letter") from The Nasdaq Stock Market LLC ("Nasdaq") indicating that, for the last thirty (30) consecutive business days, the bid price for our common stock had closed below the minimum $1.00 per share requirement for continued listing on The Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement"). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we have been provided an initial period of 180 calendar days, or until April 1, 2024, to regain compliance. The Nasdaq Staff Deficiency Letter states that the Nasdaq staff will provide written notification that we have achieved compliance with Rule 5550(a)(2) if at any time before April 1, 2024 (the "Compliance Period"), the bid price of our common stock closes at $1.00 per share or more for a minimum of ten (10) consecutive business days. The Nasdaq Staff Deficiency Letter has no immediate effect on the listing or trading of our common stock. However, if we do not regain compliance with Rule 5550(a)(2) within the Compliance Period, we may be eligible for an additional 180 calendar day compliance period. To qualify, we would be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for Nasdaq, with the exception of the bid price requirement, and would need to provide written notice of its intention to cure the deficiency during the second compliance period, for example, by effecting a reverse stock split, if necessary. However, if it appears to the Nasdaq staff that we will not be able to cure the deficiency, or if we are otherwise not eligible, Nasdaq would notify us that our securities would be subject to delisting. In the event of such a notification, we may appeal the Nasdaq staff's determination to delist our securities. There can be no assurance that we will be eligible for the additional 180 calendar day compliance period, if applicable, or that the Nasdaq staff would grant our request for continued listing subsequent to any delisting notification. Delisting of our common stock from Nasdaq could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our common stock.

We may experience disruptions to our business operations as a result of war and hostilities in Israel.

On October 7, 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Following the attacks, the Security Cabinet of the State of Israel declared a state of war in Israel. Since Airobotics is located in Israel, the war has impacted the availability of our workforce in Israel, as approximately 17% of our workforce in Israel, have been called to active duty. To date, we have not had material disruptions to our ability to produce, manage and deliver products and services to customers as our U.S. teams have supported our ongoing operations in Israel and the Middle East; however, a prolonged war or an escalation of the current conditions in Israel could materially adversely affect our business, financial condition, and results of operations. Due to the recency of these events, and their ongoing and evolving nature, the extent of the adverse effect on our business operations is still unknown.

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.

None.

Item 6. Exhibits.

Exhibit No.	Name of Document
4.1	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 16, 2023).
10.1	Preferred Stock Purchase Agreement, dated July 9, 2023, between Ondas Networks Inc. and the Initial Purchaser (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 July 10, 2023).
10.2	Amendment to Preferred Stock Purchase Agreement, dated July 21, 2023, between Ondas Networks Inc. and Initial Purchaser (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed by the Company with the SEC on July 24, 2023).
10.3	Registration Rights Agreement, dated August 11, 2023, between the Company and Initial Purchaser (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 16, 2023).
10.4+	Release Agreement, dated September 21, 2023, by and between Ondas Holdings Inc. and Derek Reisfield (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 21, 2023).
10.5+	Employment Agreement, between Airobotics and Yishay Curelaru, dated November 28, 2017.
10.6+	Amendment to Employment Agreement, between Airobotics and Yishay Curelaru, dated February 15, 2023.
10.7+	Amendment to Employment Agreement, dated September 27, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 29, 2023).
31.1	Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated November 14, 2023*
31.2	Certification of Interim Chief Financial Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a) dated November 14, 2023*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 dated November 14, 2023**
32.2	Certification of Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350 dated November 14, 2023**
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 contract or compensatory plan or arrangement.

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: November 14, 2023

ONDAS HOLDINGS INC.

By: /s/ Eric A. Brock

Eric A. Brock
Chairman, President, Chief Executive Officer, and
Interim Chief Financial Officer
(Principal Executive Officer
Principal Financial Officer
Principal Accounting Officer)

EMPLOYMENT AGREEMENT

This Employment Agreement (the "**Employment Agreement**") is made as of the date noted below by and between **Airobotics Ltd.**, Company Number 515118263, an Israeli company, having its principal place of business at 7 Simtat Hatavor Petach Tikva, Israel (the "***Company***"), and Yishay Curelaru, holder of an Israeli ID number 062542469 (the "***Employee***").

WHEREAS, the Company wishes to employ the Employee, and the Employee agrees to be employed by the Company, as of the employment start date that is defined in **Exhibit A** to this Agreement (the "***Effective Date***") and throughout the Term (as such term is defined below), all in accordance with the terms and conditions set forth in this Employment Agreement); and

WHEREAS, it is agreed between the Company and the Employee that this Agreement replaces, and comes instead, any previous verbal or written arrangement, including any employment agreement that had been signed in the past between the Company and the Employee. Accordingly, it is agreed that the terms of this Agreement and all its appendixes shall apply to the employment relations between the Company and the Employee effective from the Employee's first day of employment at the Company, the Effective Date, as defined in **Exhibit A** to this Agreement.; and,

WHEREAS, the Employee represents that she/he has significant expertise and knowledge with regard to the Position, as defined below.

NOW, THEREFORE, in consideration of the mutual premises, covenants and other agreements contained herein, the parties hereby agree as follows:

1. **General**

1.1 The preamble to this Employment Agreement constitutes an integral part thereof.

1.2 The appendices to this Employment Agreement are an integral part thereof and are hereby incorporated by reference.

1.3 The headings in this Employment Agreement are for the purpose of convenience only and shall not be used for the purposes of interpretation.

1.4 In this Employment Agreement words referring to a male employee are intended also for a female employee.

1.5 This Employment Agreement includes the terms to be contained in, and constitutes, the written notice to be delivered to the Employee pursuant to the *Notice to Employee Law (Terms of Employment), 2002*. Accordingly, this Employment Agreement shall come in lieu of the notice that is required under the Notice to Employee Law.

1.6 This Agreement is a personal employment agreement. Nothing herein shall derogate from any right the Employee may have, if at all, in accordance with any law, extension order, collective bargaining agreement, to the extent such apply to the Employee.

2 **Employment and Position.**

2.1 The Employee's employment with the Company shall commence on the Effective Date and shall continue for an unlimited period, in accordance with the provisions of this Employment Agreement

2.2 The Company hereby agrees to employ the Employee and the Employee hereby agrees to be employed by Company in the position as described in **Exhibit A** hereto (the "***Position***").

2.3 The Employee shall have such authority as shall be delegated to him/her by the authorized representative(s) of the Company from time to time. The Company may, at its sole discretion, change the Position, the scope of authority, the content of the Position and its definitions, and/or to ask the Employee to perform work out of the scope of the Position.

2.4 The Employee shall report regularly to the person set forth in **Exhibit A** hereto, or to any other person or position as Company, at its sole discretion, shall instruct the Employee from time to time (the "***Direct Manager***").

3 **Employee's Duties**.

3.1 The Employee affirms and undertakes throughout the term of this Agreement:

3.1.1 To devote his/her entire working time, know-how, expertise, talent, experience and best efforts to the business and affairs of the Company and to perform his/her duties and functions diligently and skillfully with the utmost expertise and devotion.

3.1.2 To travel abroad from time to time if and as may be required pursuant to his Position.

3.1.3 Not to receive, at any time, whether during the term of this Agreement and/or at any time thereafter, directly or indirectly, any payment, benefit and/or other consideration, from any third party in connection with the Employee's employment with the Company, without the Company's prior written authorization.

3.1.4 To immediately and without delay inform the Company of any affairs and/or matters in which the Employee and/or Employee's immediate family has personal interest which might conflict the Employee's obligations and Position and/or employment with Company (including its affiliates) and/or the interests of the Company (including its affiliates).

3.1.5 Not, without the prior written consent of the Company, to undertake or accept any other paid or unpaid employment or occupation or engage in or be associated with, directly or indirectly, any other businesses, duties or pursuits except for de minimis non-commercial or non-business activities.

Prior to signing this Agreement the Employee will inform the Company of any employment, occupation, engagement or activity in which the Employee is involved and that would require the Company's written consent per the paragraph above.

3.1.6 To comply with all the Company's regulations, work-rules, policies, procedures and objectives, as shall be in effect from time to time (the "***Company's Rules***"). In the event of inconsistency or contradiction between the provisions of this Employment Agreement and the Company's Rules, this Agreement shall prevail.

3.1.7 To comply with any applicable law or provision, pertaining to his employment, including, without limitation, the Company's Rules for Prevention of Sexual Harassment at the Workplace.

3.1.8 To the transfer of any information related to the Employee and held by the Company to a database (including a database located abroad) and to any other person or entity, as the Company shall deem necessary and reasonable for business purposes or to pursue the Company's business interests.

3.2 This Employment Agreement is confidential and therefore the Employee shall not disclose this Employment Agreement as a whole, or any part thereof, to any third party (not including the Employee's spouse, attorney or tax advisor), including, without limitation, to any other employee of the Company.

4 **Time and Attention**

4.1 In general, work for the Company shall be performed on Sunday through Thursday. Saturday (Shabbat) shall be the Employee's recognized and official rest day.

4.2 Employee agrees and acknowledges that due to the Employee's senior managerial position in the Company, the special personal trust involved in the position in which the Employee shall be employed, and the inability to monitor the Employee's actual work hours, the **Hours of Work and Rest Law, 1951** (the "**Hours of Work and Rest Law**") shall not apply to the Employee. The employee acknowledges that the set amount of the Monthly Salary (as defined hereunder), as well as all other compensation and benefits provided to the Employee by the Company, as agreed upon between the Employee and the Company, reflect the requirements of the position to work additional and irregular hours and days. Accordingly, the Employee shall not be entitled to claim or receive payments or any additional pay for work performed at overtime hours, nights, weekends, or at any other times in which the Hours of Work and Rest Law requires payment of special payments (to employees who are not in a position such as the position of the Employee). Notwithstanding, the Employee shall not generally be required to work on Fridays, Saturdays or holidays.

4.3 The Employee undertakes, by signing this Agreement that he will not sue, and/or demand, and/or claim that he is entitled to any additional payment to his Monthly Salary due to overtime, above his Monthly Salary which includes all the consideration which the Employee is entitled to receive for overtime.

4.4 If, notwithstanding the agreement of the parties and the Employee's informed undertaking under this Agreement, it will be decided by a competent court, or any other competent tribunal, either due to Employee's application or any other source, that the Hours of Work and Rest Law applies to the Employee, and that therefore the Employee is entitled to compensation, or any other additional payments – then the parties agree that they have made a mutual mistake regarding the amount of the Monthly Salary. Had the parties been aware of such mistake, they would have agreed that the Employee would be entitled to 75% (seventy five percent) of the Monthly Salary (the "Agreed Alternative Payment"). The parties agree that in this event the Monthly Salary should have been the Agreed Alternative Payment, and the Employee shall be obligated to return to the Company, on the day of the claim and/or demand which contradicts this Agreement, in which it will be claimed that the Working Hours and Rest Law applies to Employee, and/or that he was entitled to Overtime Payments – all additional amounts that the Employee received from the Company beyond the Agreed Alternative Payment as defined above (the "**Excess Amount**").

4.5 Each Excess Amount that the Employee will be obligated to return to the Company as mentioned above - shall bear interest and shall be linked to the Cost of Living Index on the Employee's pay day – as compared to the Index on the day such amount will be returned to the Company.

4.6 The Company shall be entitled to set off such Excess Amounts against all amounts that the Employee shall be entitled to under this Agreement, or under the decision of the competent court or of any other competent tribunal as mentioned above, which shall not derogate from any other right of the Company to receive from the Employee the rest of the amounts it is entitled to.

5 **Term and Termination**

5.1 Employee's employment under this Employment Agreement shall commence on the Effective Date and shall continue, for an unfixed period of time, until terminated in accordance with the terms of this Agreement (the "**Term**").

5.2 Company or Employee may terminate the Employee's employment by providing prior written notice in the number of days set forth in **Exhibit A** hereto (the "**Notice Period**"). During the Notice Period, whether notice has been given by the Employee or by the Company, the Employee shall continue to work and perform all regular duties unless instructed otherwise by the Company, and shall cooperate with the Company and use his/her best efforts to assist the integration into the Company of the person or persons who will assume the Employee's responsibilities and duties.

5.3 Company shall be entitled, but not obligated, at any time prior to the expiration of the Notice Period, at its sole discretion: (i) to waive the Employee's actual work during the Notice Period, or to reduce the scope of the Employee's work hours, while continuing to pay the Employee his/her regular payments and benefits until the completion of the Notice Period; or (ii) terminate this Employment Agreement and the employment relationship, at any time prior to the expiration of the Notice Period, and pay the Employee the applicable payment in lieu of notice period, per applicable law.

5.4 Notwithstanding the foregoing, the Company may immediately terminate the Employee's employment at any time for ***'Cause'*** (as defined below**)** without Notice Period or any compensation in lieu of Notice Period and/or severance pay (subject to applicable law).

For the purpose of this Employment Agreement, "**Cause**" means: (i) the Employee's breach of trust or fiduciary duties**,** including but not limited to undisclosed conflict of interests, theft, embezzlement, self-dealing, or breach of the provisions of the IP Agreement (as defined below); (ii) any willful failure to perform or failure to perform competently any of the Employee's material functions or duties hereunder (including violation of the Company's Rules), or other breach of this Employment Agreement, which, if capable of cure, was not cured within five (5) calendar days of receipt by the Employee of written notice thereof; (iii) an event in which the Employee deliberately or gross negligently causes harm to the Company's business affairs or reputation; (iv) conviction of, or entry of any plea of guilty or nolo contendere by the Employee for any felony or other lesser crime that would require removal from his or her position at the Company (e.g., any alcohol or drug related misdemeanor); (v) personal dishonesty; (vi) willful misconduct; (vii) other cause justifying termination or dismissal without severance payment under applicable law; or (viii) if the Employee has provided the Company with false information about past career and/or education during the recruiting phase.

6 **Salary and Social Benefits.**

6.1 Commencing from the Effective Date and during the Term, in consideration for the fulfillment of the Employee's work and other obligations set forth in this Employment Agreement, the Company shall pay the Employee a gross monthly salary in the amount as set forth in **Exhibit A** hereto (the "**Monthly Salary**").

It is agreed that an amount equal to 10% of the Monthly Salary shall be considered to be a special compensation for the Employee's obligation for confidentiality, return of confidential information, non-competition, non-solicitation, and no conflicting obligations set forth in the IP Agreement, **Exhibit B** herein (the "**Special Compensation**"). The Employee shall be obligated to return all Special Compensation amounts received from the Company upon violation of any of the said obligations set forth in **Exhibit B** hereto. Company maintains the right to withhold and set off any amounts due to the Employee following such violation. All the above shall not derogate from any of the Company's rights with respect to such a violation of **Exhibit B**.

The Monthly Salary shall be paid to the Employee no later than the 10th day of the following month.

6.2 The Company and the Employee will obtain and maintain Managers' Insurance or a Pension Fund, or combination of both (per the Employee's preference) according to the Employee's choice **(**the "**Pension Plan**"). The contributions to the Pension Plan shall be as detailed below.

6.2.1 In the event that the Employee chose to combine Managers' Insurance and Pension Fund, the terms,structure and percentages, as defined below, with respect to Managers' Insurance and Pension Fund shall apply, proportionally, to the portions of the Employee's salary which the Employee chose to insure in Managers' Insurance and Pension Fund.

6.2.2 In the event that the Pension Plan is ***Managers' Insurance***: the Company shall contribute 14.583% (from 1 January 2017 – 14.833%) of the Monthly Salary (of which 8.33% will go towards severance, at least 5% for premium payments and an additional percentage will go towards disability insurance, at a rate necessary to insure 75% - "**Company's Contribution**") and the Employee shall contribute 5.75% (from 1 January 2017 – 6%) of the Monthly Salary payment ("**Employee's Contribution**") toward the premiums payable in respect of Managers' Insurance.

6.2.3 In the event that the Pension Plan is a ***Pension Fund***: the Company shall contribute 14.833% of the Monthly Salary (of which 8.33% will be towards severance - "**Company's Contribution**") and the Employee shall contribute 6% of the Monthly Salary payment ("**Employee's Contribution**") toward the premiums payable in respect of Pension Fund.

6.2.4 The Company And the Employee agree to apply the terms of Section 14 of the *Severance Pay Law 1963* ("**Section 14**") to the Pension Plan, accordingly:

6.2.4.1 The Company and the Employee agree to adopt the provisions of General Approval of the Labor Minister, dated June 30, 1998 (the "**General Approval**"), issued in accordance to Section 14, a copy of which is attached hereby as **Exhibit C**, together with an English translation of the same, attached hereto as **Exhibit D**. The General Approval forms an integral part of this Agreement.

6.2.4.2 It is hereby agreed that upon termination of employment under this Agreement, the Company shall release to the Employee all amounts accrued in the Pension Plan on account of both the Company's and Employee's Contributions. Accordingly, the Company waives any right that it may have for the repayment of any of the amounts that the Company allocated to the Pension Plan.

However, it is hereby agreed and clarified that the Employee shall not be entitled to receive severance pay, and the Company shall be entitled to repayment of its allocations to the severance pay portion of the Pension Plan if the Employee's employment shall terminate under the circumstances defined in Section 16 and/or Section 17 of the Severance Pay Law or if the Employee withdrew monies from the Pension Plan prior to an "Entitling Event" as such is defined in section 2(b) in the General Approval (attached to this Agreement as **Exhibit C** and **Exhibit D**).

6.2.4.3 The Employee and the Company explicitly acknowledge and agree that the amounts accrued in the Pension Plan on account of the Company's Contributions shall be in lieu and in full and final settlement of any severance pay the Employee may become entitled to under any applicable Israeli law.

6.3 The Company and the Employee shall open and maintain an education fund ("Keren Hishtalmut" in Hebrew) (the "***Education Fund***"). The Company shall contribute to the Education Fund an amount equal to seven and a half percent (7.5%) and the Employee shall contribute to such Education Fund an amount equal to two and a half percent (2.5%) of each Monthly Salary payment. Notwithstanding the above, the amounts contributed by the Company to the Education Fund will not exceed the tax exempt limit recognized by the Income Tax Authority from time to time. In any event, any tax liability related to the Education Fund shall be borne, exclusively, by the employee. The Employee hereby authorizes the Company to transfer to the Education Fund the amount of the employee's and the Company's contribution from each Monthly Salary payment.

6.4 The Employee shall be provided with a leased car by the Company as set forth in **Exhibit F** hereto. The leased car shall be of the type and make elected by the Company. **Exhibit F** provides for, amongst other things: (i) the Employee's liabilities and responsibilities with respect to the use of the lease car and the Company's written policy regarding car leasing, which may be amended from time to time by the Company (collectively, the "Car Leasing Documents"); and (ii) the use of the leased car shall be subject to certain reductions and deductions form the monthly salary, in accordance with the Company's Car Policy, as may be amended by the Company from time to time. The Employee shall bear all applicable tax imposed with regards to the leased car. The Employee agrees and acknowledges that (i) the execution of a written undertaken to comply with the Car Leasing Documents and (ii) the compliance with all terms and conditions of the Car Leasing Documents by him, are conditions to making the lease car available to him and maintaining it with him. If the Employee chooses not to use a lease car in accordance with this Section 6.8, then the Employee shall be entitled to reimbursement of travel expenses in accordance with applicable law

6.5 Meal Vouchers: The Employee shall receive meal vouchers per Company's policy, in the amount detailed in **Exhibit A**. Employee shall bear any and all taxes applicable to Employee in connection with the meal vouchers. In the event that the Employee will utilize Meal Vouchers in an amount that exceeds the daily budget, as stipulated in **Exhibit A**, and the Company will be required to cover such excess utilization, then, it is hereby agreed that the Company shall be allowed to deduct from the Employee's salary any such excess amount.

6.6 For the avoidance of any doubt, the value of the and meal vouchers shall not be deemed to be part of Employee's salary for the purpose of calculating any of the employee's benefits, and in particular, allocations to pension plan or severance pay.

6.7 The Employee shall be entitled to paid annual vacation days as set forth in **Exhibit A** hereto. Accumulation, execution and redemption of such annual vacation days shall be made in accordance with the applicable Company's Rules, as may be amended from time to time.

6.8 The Employee shall be entitled to sick pay in accordance with the applicable law; *provided, however*, that the Employee shall be entitled to receive the full compensation (including Global Overtime Payment) for each sick leave day taken with respect to which a medical certificate has been provided to the Company.

6.9 The Employee shall be entitled to convalescence payments (in Hebrew: "Dmei Havra'a") in accordance with applicable law, on a monthly basis.

6.10 The Employee shall bring to the attention of his Direct Manager any call-up order for military reserve duty immediately upon receipt of the order.

6.11 The Employee shall be entitled to reimbursement for cellular phone expenses in the amount of NIS 100 on a monthly basis.

7 **Confidentiality, Non-Compete and Proprietary Rights.**

7.1 The Employee shall be required, as a condition to Employee's employment with the Company, to sign the Non-Competition, Proprietary Information and Inventions Agreement in the form attached hereto as **Exhibit B** hereto (the "**IP Agreement**").

7.2 Employee represents and warrants to the Company that he/she is aware that any breach of, or failure to comply with, the terms and conditions set forth in the IP Agreement, or part of them, will cause the Company or the Company's affiliates serious and irreparable damage, and that no financial compensation can be an appropriate remedy to such damage. Therefore, Employee agrees, that if such a breach occurs, the Company, any of the Company's affiliates or any of their designee(s) shall be entitled, without prejudice, to take all legal means necessary, and all and any injunctive relief as is necessary to restrain any continuing or further breach of this Agreement and the IP Agreement

7.3 For the removal of doubt, it is hereby clarified that the Employee's compensation under this Employment Agreement has been calculated to include special consideration for the commitments under **Exhibit B** and the Employee will not be entitled to any further consideration for such commitments, expressly including no entitlement to royalties for any Service Inventions as defined in Section 132 of the Patent Law, 1967 (the "***Patent Law***"). This clause constitutes an express waiver of my rights under Section 134 of the Patent Law.

7.4 To the extent the services, deliverables, Inventions (as defined in the IP Agreement) or any other work product provided by Employee include any software, computer code and/or firmware, any such services, deliverables, Inventions or work product shall not incorporate or include any Open Source (as defined below), unless explicitly approved in writing by Company in each instance. In addition, all services, deliverables, Inventions and any other work product provided by Employee shall on delivery be free of viruses, malicious code, time bombs, Trojan horses, back doors, drop dead devices, worms, or other code of any kind that may disable, erase, display any unauthorized message, permit unauthorized access, automatically or remotely stop software, code and/or firmware from operating, or otherwise impair the services, deliverables, Inventions or work product or the Company network or any part thereof . "***Open Source***" means any software that requires as a condition of its use, the modification and/or distribution of such software or other software incorporated into, derived from or distributed with such software be: (i) disclosed or distributed in source code form; (ii) licensed for the purpose of making derivative works; or (ii) redistributable at no charge.

8 Use of Company's Computer Systems

8.1 Employee will use the Company's computer system for the purpose of Employee's employment only.

8.2 The Employee hereby agrees and acknowledges that he/she has read, understands and consents to the Company Computer Policy attached hereto as **Exhibit E** and incorporated herein by reference, and agrees to, concurrently with the execution of this Agreement, to sign on **Exhibit E**.

9 **<u>Employee Representations and Warranties</u>**

9.1 The Employee represents and warrants to the Company that the execution and delivery of this Employment Agreement and the fulfillment of the terms hereof: (i) will not constitute a default under or breach of any agreement or other instrument to which he/she is a party or by which he is bound, including without limitation, any confidentiality, invention assignment or non-competition agreement; (ii) that no provision of any law, regulation, agreement or other document prohibits him/her from entering into this Employment Agreement; (iii) do not require the consent of any person or entity; and (iv) shall not utilize during the term of his/her employment any proprietary information of any third party, including prior employers of the Employee (other than any affiliate of the Company).

9.2 The Employee acknowledges that the Company is relying on the Employee's representations under this Section 9 upon entering into this Employment Agreement and any misrepresentation under this section by the Employee shall constitute a material breach of this Employment Agreement.

9.3 The Employee shall immediately and without delay inform the Company of any affairs and/or matters that might constitute a conflict of interest with the Employee's Position and/or employment with Company and/or the interests of the Company.

10 **<u>General</u>**

10.1 This Employment Agreement, together with its Exhibit and Schedules, constitute the entire understanding and agreement between the parties hereto, supersedes any and all prior discussions, agreements and correspondence with regard to the subject matter hereof, and may not be amended, modified or supplemented in any respect, except by a subsequent written document executed by both Employee and the Company.

10.2 The Company may assign or transfer this Employment Agreement or any right, claim or obligation provided herein subject to any applicable law, provided however that none of the Employee's rights under this Agreement are thereby diminished. The obligations of the Employee hereunder shall not be assignable or delegable.

10.3 All notices, requests and other communications to any party hereunder shall be given or made in writing and faxed, emailed, mailed (by registered or certified mail) or delivered by hand to the respective party at the address set forth in the caption of this Employment Agreement or to such other address (or fax number or email address) as such party may hereafter specify for the purpose of notice to the other party hereto. Each such notice, request or other communication shall be effective (a) if given by fax or email, one (1) business day after such fax is transmitted to the fax number or email address specified herein and the appropriate answerback is received, or (b) if given by any other means, when delivered at the address specified in the Employment Agreement.

10.4 This Employment Agreement shall be governed by, and construed and enforced in accordance with, the laws of Israel without giving effect to principles of conflicts of law thereof. The parties submit to the exclusive jurisdiction of the competent courts of Israel, district of Tel Aviv, in any dispute related to this Employment Agreement.

10.5 The parties hereby confirm that this is a personal services contract and that the relationship between the parties hereto shall not be subject to any general or special collective employment agreement or any custom or practice of the Company in respect of any of its other employees or contractors.

IN WITNESS WHEREOF, the Company and the Employee have executed this Employment Agreement as of the date first appearing above.

Employee acknowledges that:

(1) prior to signing this Agreement, the Employee read and fully understood all the provisions of this Agreement and its Exhibits; (2) prior to signing this Agreement the Employee raised all his/her questions and concerns with the representatives of the Company; (3) the Employee is signing this Agreement in free will; (4) the Employee's knowledge of English allowed him/her to understand all of the terms and conditions detailed in this Agreement and its Exhibits, and there is no portion of this Agreement and its Exhibits which the Employee did not understand – in Hebrew:

ןיא יכו ,ול םיחפסנבו הז םכסהב םיטרופמה םיאנתה לכ תא ןיבהל הל/ול תרשפאמ תילגנאה הפשב הלש/ולש הטילשהש ת/רשאמ ת/דבועה
ת/דבועל ןבומ וניא רשא ול םיחפסנב וא הז םכסהב והשלכ קלח.

Airobotics Ltd.		**Employee**	
By:	/s/ Meir Kliner	Signature:	/s/ Yishay Curelaru
Name:	Meir Kliner	Name:	Yishay Curelaru
Title:	Chief Executive Officer	Date:	November 28, 2017

Exhibit A

Below is a table detailing the specific terms of your employment at **Airobotics Ltd.**, as referred to in the Agreement (the "***Specific Terms***"). The Specific Terms set forth below are subject to the terms and conditions set forth in the Agreement. Capitalized terms used but not defined herein shall have the meanings as ascribed to them under the Agreement.

1.	Employee's Details	Full Name: Yishay Curelaru I.D. Number: 062542469 Address: [●] Telephone Number (cell): [●] Private e-mail: [●]
2.	Effective Date	February 2018
3.	Position:	Vice President, Finance
4.	Supervisor	Ran Krauss
5.	Monthly Salary	NIS 45,000 (gross)
6.	Options	We will recommend to the board of directors of the Company (the "**Board**") to approve an option grant of up to 98,795 shares of Common Stock of the Company under the Company's Stock Option Plan (the "**Plan**") (the "**Option**"). The Option shall become vested and exercisable as follows: (i) 1/4 of the shares underlying the Option shall vest on the first anniversary of the Commencement Date (the "**First Anniversary**"); and (ii) 1/48 of the shares underlying the Options shall vest at the end of each subsequent month following the First Anniversary. Furthermore, if there is a change of control and if, during the period of time commencing on such change of control event and ending on the first anniversary of the consummation of such Change of Control, your employment by the Company is terminated by the Company, then 100% of the unvested shares subject to the Option at the time of such termination shall become vested. For avoidance of any doubt the above considered as special request and will be subject to the Board approval.
7.	Scope of Work	Full time
8.	Notice Period (by the Company or the Employee)	Three months in the first two years and then per Applicable Law.
9.	Pension Plan	Per the terms detailed in the Agreement. Below is a summary: Company Contribution- 14.833% of the Monthly Salary payment.
		Employee Contribution- 6% of the Monthly Salary.
0.	Keren Hishtalmut (Education Fund)	Per the terms detailed in the Agreement. Below is a summary: Company Contribution- 7.5% of the Monthly Salary Employee Contribution- 2.5% of the Monthly Salary
1.	Vacation Days	20 workdays per year.
2.	Sick Leave Days per Year	Per Applicable Law.
3.	Recreation Days	Per Applicable Law.
4.	Reimbursement of Travel Expenses	Per Applicable Law if Employee chooses not to use leased car provided by the Company
5.	Meal Vouchers	NIS 45 (gross) per workday and up to 1,080 NIS per month (Employee is not entitled to any meal vouchers on days in which Employee is not working)

<u>Exhibit A</u>: Employee acknowledges that:

(1) Prior to signing this Exhibit, the Employee read and fully understood all terms detailed above;

(2) Prior to signing this Agreement the Employee raised all his/her questions and concerns with the representatives of the Company;

(3) The Employee agrees to all the specific terms, as detailed above.

IN WITNESS WHEREOF, the parties have executed this Exhibit.

Airobotics Ltd.

By: /s/ Meir Kliner
Name: Meir Kliner
Title: Chief Executive Officer

Employee

Signature: /s/ Yishay Curelaru
Name: Yishay Curelaru

Exhibit B

NON-COMPETITION, PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

THIS NON-COMPETITION, PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT ("**Agreement**") is effective as of the first day of your employment with the Company (**"Effective Date"**) and made by and between **Airobotics Ltd.**, a corporation incorporated under the laws of the State of Israel, with business address at 7 Simtat Hatavor Petach Tikva, Israel (the "**Company**") and **Yishay Curelaru** (I.D. No. 062542469) (the "**Employee**"). Unless the context otherwise requires, the term "Company" shall also include all direct and indirect existing and future subsidiary, parent or related entity of the Company.

In consideration and as a condition of Employee's engagement with the Company, the compensation paid therefore and the benefits received therefore, the sufficiency of which is hereby acknowledged, it is hereby agreed as follows:

1. Confidential Information

1.1. Definition. "***Confidential Information***" means any proprietary or confidential data and information that Employee may author, create, make, produce, obtain or otherwise acquire or have access to during the course of Employee's engagement with the Company (whether before or after the date of this Agreement), which pertain to the Company, or any of its clients, customers, employees, shareholders, licensees, licensors, vendors or affiliates. Confidential Information includes without limitation Intellectual Property (as defined in Section 2(b) below), trade secrets, data and databases; business plans, records, and affairs; customer files and lists; special customer matters; sales practices; methods and techniques; commercial and technical concepts, strategies and plans; sources of supply and vendors; special business relationships with vendors, agents, and brokers; promotional materials and information; financial matters; technologies and processes; product specifications; procedures; pricing information; technical data; operations and production costs; processes; designs; formulae; algorithms; software; applications and other similar matters which are confidential.

Confidential Information shall not include any information that (i) is in the public domain at the time of disclosure, (ii) subsequently enters the public domain other than by breach of Employee's obligations hereunder or by breach of another person's or entity's confidentiality obligations, or (iii) is shown by documentary evidence to have been known by Employee prior to disclosure to Employee by the Company.

1.2. Confidentiality. Except as herein provided, Employee agrees that during and after termination of Employee's engagement with the Company, Employee (i) shall keep Confidential Information (as defined below) confidential and shall not directly or indirectly, use, divulge, publish or otherwise disclose or allow to be disclosed any aspect of Confidential Information without the Company's prior written consent; (ii) shall refrain from any action or conduct which might reasonably or foreseeable be expected to compromise the confidentiality or proprietary nature of the Confidential Information; and (iii) shall follow recommendations made by the Board of Directors, officers or supervisors of the Company from time to time regarding Confidential Information.

1.3. Ownership. Employee acknowledges and agrees that all Confidential Information and all tangible materials containing Confidential Information are and shall remain at all times the sole and exclusive property of the Company.

1.4. Proprietary Information of Third Parties. Employee agrees that he/she has not and will not, during the term of the engagement, (i) improperly use or disclose any proprietary information or trade secrets of any former employer or other person or entity with which Employee has an agreement or duty to keep in confidence information acquired by Employee, if any, or (ii) bring onto the premises of the Company any document or confidential or proprietary information belonging to such employer, person or entity unless consented to in writing by such employer, person or entity. Employee will indemnify the Company and hold it harmless from and against all claims, liabilities, damages and expenses, including reasonable attorneys' fees and costs of suit, arising out of or in connection with any violation of the foregoing. Employee recognizes that the Company may have received, and in the future may receive, from third parties their confidential or proprietary information subject to Company's undertaking to maintain the confidentiality of such information and to use it only for certain limited purposes. Employee agrees that he/she owes the Company and such third parties, during Employee's engagement with the Company and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or firm and to use it in a manner consistent with, and for the limited purposes permitted by, the Company's agreement with such third party.

1.5. Open Source Software. To the extent the services, deliverables, ***Intellectual Property*** (as defined in this Agreement) or any other work product provided by Employee include any software, computer code and/or firmware, any such services, deliverables, Inventions or work product shall not incorporate or include any Open Source (as defined below), unless explicitly approved in writing by Company in each instance. In addition, all services, deliverables, Inventions and any other work product provided by Employee shall on delivery be free of viruses, malicious code, time bombs, Trojan horses, back doors, drop dead devices, worms, or other code of any kind that may disable, erase, display any unauthorized message, permit unauthorized access, automatically or remotely stop software, code and/or firmware from operating, or otherwise impair the services, deliverables, Inventions or work product or the Company network or any part thereof . "Open Source" means any software that requires as a condition of its use, the modification and/or distribution of such software or other software incorporated into, derived from or distributed with such software be: (i) disclosed or distributed in source code form; (ii) licensed for the purpose of making derivative works; or (ii) redistributable at no charge.

1.6. Conflicting Activities. While engaged with the Company, Employee will not work as an employee, consultant or contractor of any competing organization to the Company, or engage in any other activities which conflict with the obligations to the Company, without the express prior written approval of the Company.

1.7. Return of Confidential Material. Upon Company's request or in the event of Employee's termination of engagement with Company for any reason whatsoever, Employee agrees promptly to surrender and deliver to Company all records, materials, equipment, drawings, documents and data of any nature pertaining to any Confidential Information or to Employee's engagement, and Employee will not retain or take any tangible materials or electronically stored data, containing or pertaining to any Confidential Information that Employee may produce, acquire or obtain access to during the course of Employee's engagement.

2. Ownership of Intellectual Property

2.1. Definition. "***Intellectual Property***" means proprietary and intellectual property rights, including without limitation copyrights, inventions, discoveries, patents, designs, trademarks, whether or not registered or capable of being registered, original ideas, trade secrets, source and object code, algorithms, formulae, materials, methods, processes, procedures, improvements and enhancements of the foregoing, and all rights corresponding to the foregoing throughout the world.

2.2. Assignment of Intellectual Property. Employee hereby assigns and transfers to Company, to the fullest extent under applicable law, and without additional compensation and consideration, Employee's entire right, title and interest in and to all the Intellectual Property authored, developed, created, made, conceived or reduced to practice by Employee, whether solely or jointly with others, prior to or during the period of Employee's engagement with Company (including after hours, on weekends or during vacation time), including prior to the incorporation of the Company, that either (i) relate in any manner to the actual or demonstrably anticipated business (including the Company's proposed business prior to its incorporation), work, or research and development of Company, its affiliates or subsidiaries, (ii) is developed in whole or in part on Company's time or using Company's equipment, supplies, facilities or Confidential Information, or (iii) result from or are suggested by any task assigned to Employee or any work performed by Employee for or on behalf of Company, its affiliates or subsidiaries, or by the scope of Employee's duties and responsibilities with Company, its affiliates or subsidiaries ("**Company Intellectual Property**").

2.3. Without derogating from the aforementioned, the Employee herby explicitly waives: (i) any interest, claim or demand that he had, have, or may have in the future for, or may be entitled to, with respect to consideration, compensation or royalty payment in connection with Company Intellectual Property, including, but not limited to, any claims for consideration, compensation or royalty payments pursuant to Section 134 to the Israeli Patent Law – 1967 (the "**Patent Law**"); (ii) any moral rights, artists' rights, or any other similar rights worldwide ("**Moral Rights**") that he had, have or may have in the future in or with respect to the Company Intellectual Property.

2.4. Disclosure of Intellectual Property. Employee agrees that in connection with Company Intellectual Property: (i) Employee shall promptly disclose and if requested by the Company, reduce to writing and describe to Employee's immediate supervisor at Company, or its designee, all Company Intellectual Property, in order to permit Company or its designee to claim rights to which it may be entitled under this Agreement; and (ii) Employee shall, at Company request, promptly execute a written assignment of title to Company for any Company Intellectual Property, and will preserve any such Company Intellectual Property as Confidential Information of Company.

2.5. Employee's Assistance. Employee agrees to assist Company, or its designee, at Company expense, in every proper way to secure Company rights in the Company Intellectual Property in any and all countries, including the disclosure to Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and other instruments that Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to Company, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Company Intellectual Property. Employee further agrees that Employee's obligation to execute or cause to be executed, when it is in Employee's power to do so, any such instrument or papers shall continue after the termination of Employee's engagement with Company. If Company is unable because of Employee's mental or physical incapacity or for any other reason to secure Employee's signature to apply for or to pursue any application for any patents or copyright registrations covering Company Intellectual Property, then Employee hereby irrevocably designates and appoints Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact, to act for and in Employee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution.

2.6. Other Obligations. Employee acknowledges that Company from time to time may have agreements with other persons or with the government authorities, or agencies thereof, that impose obligations or restrictions on Company regarding Intellectual Property made during the course of work thereunder or regarding the confidential nature of such work. Employee agrees to be bound by all such obligations and restrictions and to take all action necessary to discharge the obligations of Company thereunder.

3. Non-Competition

Employee agrees that as long as he/she is in the employ of the Company and for a period of twelve (12) months after termination of employment, for any reason, Employee will not, directly or indirectly, either alone or jointly with others or as an employee, agent, consultant owner, partner, joint venturer, stockholder, broker, principal, corporate officer, director, licensor or in any other capacity or as an employee of any person, firm or company, anywhere in the world, engage in, become financially interested in, be employed by or have any connection with any business or venture that is engaged in any activities involving (i) products or services competing with the Company's products or services, or with such of the Company's Affiliates products and services which relate to the Company actual or proposed business, products or research and development, as they shall be at the time of termination of my employment, or (ii) information, processes, technology or equipment which competes with information, processes, technology or equipment in which the Company has a proprietary interest, or in which any of the Company's Affiliates then has a proprietary interest and which are related to the Company actual or proposed business, products or research and development. The foregoing shall not apply to (i) holdings of securities of any company the shares of which are publicly traded on an internationally recognized stock exchange, which do not exceed 1% of the issued share capital of such public company, so long as Employee has no active role in such public company as a director, officer, employee, consultant (including as an independent consultant) or otherwise, or (ii) de minimis non-commercial activities.

Employee further agrees that as long as he/she is in the employ of the Company and for a period of twelve (12) months after termination of employment, for any reason, Employee shall not- either directly or indirectly, either alone or jointly with others or as an employee, agent, consultant owner, partner, joint venturer, stockholder, broker, principal, corporate officer, director, licensor or in any other capacity or as an employee of any person, firm or company, anywhere in the world- solicit, canvas or approach in competition with the Company, any person or entity which, to Employee's knowledge, was provided with goods or services by the Company (**"Customer"),** provided goods or services to the Company (**"Provider"**) or who invested or contemplated investment in the Company (**"Investor"**) at any time during the 24 months immediately prior to the Termination Date, for the purpose of offering or receiving goods or services of the same type as or similar to the goods or services supplied or received by the Company at the Termination Date or for the purpose of soliciting investment in an entity other than the Company.

4. Non-Solicitation

During the term of Employee's service with the Company and for a period of twelve (12) months after termination of employment, for any reason, Employee will not, either directly or indirectly, including personally or in any business in which Employee is an employee, officer, director, shareholder, consultant or contractor, for any purpose or in any place, solicit or encourage or endeavor to solicit or encourage or cause others to solicit or encourage any employees of the Company or of the Company's Affiliates to terminate their employment with the Company or with the Company's Affiliates as applicable.

5. Breach of Obligations

Employee is aware that a breach of his/her obligations as detailed above, or part of them, will cause the Company or the Company's Affiliates serious and irreparable damage, and that no financial compensation can be an appropriate remedy to such damage. Therefore, in addition to the return of the Special Compensation pursuant to the terms of the Personal Employment Agreement to which this Agreement is attached, Employee agrees, that if such a breach occurs, the Company, any of the Company's Affiliates or any of their designee(s) shall be entitled, without prejudice, to take all legal means necessary, and all and any injunctive relief as is necessary to restrain any continuing or further breach of this Agreement.

6. Acknowledgements and Declarations

Employee hereby declares and acknowledges that:

6.1. Employee's confidentiality and non-competition obligations under this Agreement are fair, reasonable, and proportional, especially in light of the Special Compensation Employee receives under the employment agreement to which this Agreement is attached, and are designed to protect the Company's and the Company Affiliates' secrets and their confidential information, which constitute the essence of their protected business and commercial advantage in which significant capital investments were made.

6.2. Any breach of Employee's obligations under this Agreement shall contradict the nature of the special trust and loyalty between Employee and the Company, the fair and proper business practices and the duty of good faith and fairness between the parties. Any such breach shall harm the Company and/or the Company Affiliates and shall constitute a material breach of this Agreement and the employment agreement to which this Agreement is attached.

6.3. Employee's obligations under this Agreement and the restricted period of time and geographical area specified herein are reasonable and proportional, and do not prevent Employee from developing his/her general knowledge and professional expertise in the area of his/her business, without infringing on or breaching any of the Company's rights.

7. Miscellaneous

7.1. Governing Law; Consent to Personal Jurisdiction. This Agreement will be governed by the laws of the State of Israel, without regard to the choice of law provisions thereof. Employee hereby expressly consents to the personal jurisdiction of the courts located in Tel-Aviv-Jaffa district, Israel, for any lawsuit arising from or relating to this Agreement.

7.2. Assignment. The undertakings set forth herein may be assigned by the Company. Employee may not assign or delegate his/her duties under this Agreement without the Company's prior written approval. This Agreement shall be binding upon Employee's heirs, successors and permitted assignees.

7.3. Counterparts. This Agreement may be signed in two counterparts, each of which shall be deemed an original and both of which shall together constitute one and the same instrument.

7.4. Entire Agreement. This Agreement constitutes the full and complete agreement between the parties and supersedes any and all agreements or understandings, whether written or oral, concerning the subject matter of this Agreement, and may only be amended by a document signed by both parties.

7.5. Severability. If any provision of this Agreement is found to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be automatically adjusted to the minimum extent necessary for validity or enforceability. In any event, the remaining terms and provisions of this Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

Airobotics Ltd.	**[Yishay Curelaru]**
By: ______________	By: ______________
Date: ______________	Date: ______________

<u>Exhibit C</u>

(See Exhibit D)

Exhibit D

[English Summary of Exhibit C[1]]

GENERAL APPROVAL REGARDING PAYMENTS BY EMPLOYERS TO A PENSION FUND AND INSURANCE FUND IN LIEU OF SEVERANCE PAY

By virtue of my power under section 14 of the Severance Pay Law, 1963 (hereinafter: the "**Law**"), I certify that payments made by an employer commencing from the date of the publication of this approval on behalf of his employees to a comprehensive pension benefit fund that is not an insurance fund within the meaning thereof in the Income Tax (Rules for the Approval and Conduct of Benefit Funds) Regulations, 1964 (hereinafter: the "**Pension Fund**") or to managers' insurance including the possibility of an insurance pension fund or a combination of payments to an annuity fund and to a non-annuity fund (hereinafter: the "**Insurance Fund**), including payments made by him by a combination of payments to a Pension Fund and an Insurance Fund, whether or not the Insurance Fund has an annuity fund (hereinafter: the "**Employer's Payments**), shall be made in lieu of the severance pay due to the said employee in respect of the salary from which the said payments were made and for the period they were paid (hereinafter: the "**Exempt Salary**"), provided that all the following conditions are fulfilled:

8. The Employer's Payments –

   (a) To the Pension Fund are not less than 141/3% of the Exempt Salary or 12% of the Exempt Salary if the employer pays for his employee in addition thereto additional payments to supplement severance pay to a benefit fund for severance pay or to an Insurance Fund in the employee's name in an amount of 21/3% of the Exempt Salary. In the event that the employer has not paid an addition to the said 12%, his payments shall be only in lieu of 72% of the employee's severance pay;

   (b) To the Insurance Fund are not less than one of the following:

      (1) 131/3% of the Exempt Salary, if the employer pays for his employee in addition thereto also payments to secure monthly income in the event of disability, in a plan approved by the Commissioner of the Capital Market, Insurance and Savings Department of the Ministry of Finance, in an amount required to secure at least 75% of the Exempt Salary or in an amount of 21/2% of the Exempt Salary, the lower of the two (hereinafter: "Disability Insurance"); or

      (2) 11% of the Exempt Salary, if the employer paid, in addition, a payment to the Disability Insurance, and in such case the Employer's Payments shall only replace 72% of the Employee's severance pay; In the event that the employer has paid, in addition to the foregoing payments to supplement severance pay, to a benefit fund for severance pay or to an Insurance Fund in the employee's name in an amount of 21/3% of the Exempt Salary, the Employer's Payments shall replace 100% of the employee's severance pay.

9. No later than three months from the commencement of the Employer's Payments, a written agreement is executed between the employer and the employee in which:

   (a) The employee has agreed to the arrangement pursuant to this approval in a text specifying the Employer's Payments, the Pension Fund and Insurance Fund, as the case may be; the said agreement shall also include the text of this approval; and

   (b) The employer waives in advance any right, which he may have to a refund of monies from his payments, unless the employee's right to severance pay has been revoked by a judgment by virtue of Section 16 and 17 of the Law, and to the extent so revoked and/or the employee has withdrawn monies from the Pension Fund or Insurance Fund other than by reason of an entitling event; in such regard "Entitling Event" means death, disability or retirement after the age of 60.

10. This approval is not such as to derogate from the employee's right to severance pay pursuant to any law, collective agreement, extension order or employment agreement, in respect of salary over and above the Exempt Salary.

1 This is not an official translation of Exhibit C and should not be relied upon for its accuracy. In any event, Exhibit C prevails.

EXHIBIT E

COMPANY COMPUTER POLICY CONSENT

Airobotics Ltd. (the "***Company***") has a policy regarding the use of the Company's computer systems (the "***Company's Computers Policy***"), as follows:

1. The Company has provided you, for the purpose of the performance of your duties, various types of computer related devices, including a computer, hardware, software, Company e-mail account, phone etc. (the "***Computer Devices***"). The Computer Devices are the exclusive property of the Company, and in order to protect the Computer Devices, and the information which they contain, you are hereby required to adhere to the following instructions:

1.1 Hardware- it is prohibited to install hardware on, and/or to, Computer Devices without the prior authorization of your supervisor or the Company's IT team. In this regard, you are not allowed to connect to a Computer Device an external hard – drive, disk on key (also known as memory stick and/or flash memory), camera, cell phone or any other type of hardware without the prior authorization of your supervisor or the Company's IT team.

1.2 Software- it is prohibited to install software on Computer Devices without the prior authorization of your supervisor or the Company's IT team. In this regard, it is prohibited to install software which enables processing of photos, games, chat programs, toolbars or any other type of software.

1.3 Files:

1.3.1 It is prohibited to save on Computer Devices any files, photos or videos that are not related to the Company, with the exclusive exception detailed below.

1.3.2 In particular, and without limitation, it is prohibited to save on Computer Device any file that its access and/or saving by you constitute infringement of protected Intellectual Property rights.

1.3.3 In addition, and without limitation, it is prohibited to save to a Computer Device any file that contains obscene, pornographic or abusive content.

1.3.4 Exception: subject to the above limitations, you are permitted to save personal files that you or your immediate family members have created, which are not related to the Company or to the performance of your duties, and have no commercial content, as long as such files are saved under a folder labeled "Private" located at the root directory of the computer.

1.4 If any of the above instructions is not clear or if you have a question regarding the use of Computer Devices, please contact your supervisor.

2. Notwithstanding the above, the Company is aware that you may be required to make use of Computer Devices for your own private needs. Such private use of the Computer Devices is allowed subject to the following instructions:

2.1 The Company's e-mail account which was assigned to you is provided to you only for the purpose of work related use. You are not allowed to use the Company's e-mail account, which was assigned to you, for private purposes that are not related to the Company's activities, such prohibited private use of your e-mail account includes correspondence with friends and family.

2.2 In the event you wish to send private e-mails during work hours and/or while at Company's offices, you can do so through your private external web based e-mail account (Gmail, Hotmail etc.). As noted above, you are prohibited from saving to Computer Devices any files received through your external web based email account, unless such files are saved per the terms of the exclusive exception detailed above.

2.3 You may access the internet for your own private use provided that such access is done for a reasonable period of time, without such access having a negative effect on your performance, in accordance with the Company's Computers Policy. For the removal of doubt , and without limitation, it is prohibited to access any web site that contains obscene, pornographic or abusive content, and/or includes content that infringes on protected Intellectual Property rights, and /or is involves gambling.

In order to maintain the security of the Computer Devices and the protection of the Company's legitimate interests, the Company is using various monitoring technologies, as well as blocking technologies, in the scope further detailed in the Computer Policy. These technologies enable the Company to monitor and review content and information which is present on Computer Devices or exchanged through Computer Devices, including through the Company's e-mail account assigned to Company's employees.

3. Said monitoring is not intended to infringe your privacy, and as a general rule the Company is not interested in reviewing correspondence which is exchanged through the Company's e-mail account assigned to you. However, the Company may review professional correspondence and will act within the boundaries of applicable law, and when circumstances so require, necessitate and obligate, in order to protect the Company's legitimate interests.

4. In the event that private correspondence exists in the Computer Devices and/or the Company e-mail account assigned to you, this, despite the clear instructions detailed hereinabove, the Company may review such correspondence, if special and unique circumstances exist in which there is a serious suspicion that you are carrying out harmful or illegal activity through Computer Devices, and subject to your consent.

5. It is further clarified that as part of the Company's administration of its affairs, it may become necessary for another employee of the Company to access the Computer Devices that were assigned to you, in order review professional information on the Computer Devices that were assigned to you. Such access by other employees may occur during your employment or after the termination of your employment. In this respect, upon request from your supervisors or upon termination of employment, you are required to provide your supervisors with all access passwords that are necessary to access Computer Devices which were assigned to you, and materials that are saved on them.

6. Any material or file that is saved on Company's Computer Devices is deemed to be property of the Company.

As a sign of your consent to the Computer Policy and the foregoing instructions, you are required to sign below.

<u>EMPLOYEE ACKNOWLEDGEMENT AND CONSENT:</u>

7. I, the undersigned, hereby acknowledge and approve that I have read all the above mentioned, received any and all clarifications which I required, and agree to it.

Yishay Curelaru	062542469	/s/ Yishay Curelaru	November 28, 2017
Name	ID Number	Signature	Date

EXHIBIT F

This Company Car Agreement ("**Agreement**") is effective as of [●], 2017, (**"Effective Date"**) and made by and between **Airobotics Ltd.**, a corporation incorporated under the laws of the State of Israel (the "**Company**") and **Yishay Curelaru** (I.D. No. 062542469) (the "**Employee**"). Unless the context otherwise requires, the term "Company" shall also include all direct and indirect existing and future subsidiary, parent or related entity of the Company.

In consideration and in connection with the Employee's use of a "**Vehicle**", which is a car that is owned or leased or rented by the Company, it is hereby agreed as follows:

A. Use of Vehicle

1. As of the Effective Date, the Employee will be entitled to make reasonable use of a leased Company car for business and reasonable personal use (the "**Vehicle**").

2. Subject to the above, the Company will cover all of the operating expenses of the Vehicle, excluding parking expenses, tickets, fines and other costs related to noncompliance by the Employee of any applicable law, all which shall be borne by the Employee.

3. All tax liabilities related to the Employee's use of the Vehicle shall be borne, exclusively, by the Employee. The Company shall deduct Vehicle related tax from the Employee's salary, per the requirements of applicable law.

4. Employee use of the Vehicle, and the Company's covering of the Vehicle's operating expenses, shall be in lieu of any travel expenses reimbursement per applicable law. Accordingly, it is agreed that as long as Employee is using the Vehicle, Employee shall not be entitled to receive from the Company any payment on account of reimbursement of travel expenses.

5. By signing this Agreement, Employee authorizes that he is aware of and agrees that the Vehicle and the value of said use of the Vehicle will not be considered as part of the Employee's Monthly Salary and will not serve as the basis for calculating any employment related rights.

6. Employee undertakes, by signing this Agreement that he will not sue and/or demand and/or claim that the Vehicle and/or the value of the use of the Vehicle is part of the Employee's salary.

7. Employee hereby agrees that if he/she breaches the aforesaid undertaking, the Company shall be entitled to receive from the Employee liquidated damages in the amount of NIS 3,000 multiplied by the amount of months that the Vehicle has been in the Employee's possession- i.e. (NIS 3000 X months of Vehicle -lease) (the "**Liquidated Damages**").

8. The Liquidated Damages shall not be conditional on the Company proving any loss or damage. The payment of such Liquidated Damages shall not derogate from any other remedy that may be available to the Company as a result of such breach.

9. The Company shall be entitled to set off such Liquidated Damages against any amount to which the Employee may be entitled to receive from the Company.

B. Return of Vehicle

10. The Employee shall return the Vehicle (together with its keys and any other equipment supplied and/or installed therein by the Company) to the Company's principal office upon termination of the Employee's employment with the Company. The Employee shall have no rights of lien or possession with respect to the Vehicle and/or any other equipment relating thereto as above mentioned.

11. The Employee gives his consent that the Company shall be entitled to set off payments which the employee will be obligated to pay the company, as defined above, against any amounts that the Employee may be entitled to receive from the Company.

C. General

12. Employee and Company further agree that:

    a. The Vehicle shall be of Suzuki Vitara

    b. Employee shall be responsible for the Vehicle and maintain the Vehicle in fit and clean condition.

    c. Employee shall take all reasonable precautions to prevent any damage, loss of value or any other damage to the Vehicle.

    d. Employee shall not change or remove any parts of the Vehicle. Employee shall only use the Vehicle for work purposes and reasonable personal needs, excluding any non-Company-related, profit-related purposes. Employee shall not use the Vehicle for any purposes other than driving, including towing or pushing other vehicles or objects, etc.

e. Employee shall not carry any number of passengers beyond the permitted limit under the Insurance coverage and applicable law.

f. Employee shall not take the Vehicle outside of the borders of the State of Israel and shall not drive the Vehicle in territories that are controlled by the Palestinian Authority and/or territories to which Israeli citizens are prohibited from entering under applicable law.

g. Employee's family members may drive the Vehicle per the particular instructions of the Company.

h. Employee shall be fully responsible and be held liable for any deviation from this policy and any direct or indirect costs or damages to the Vehicle or any 3rd parties, incurred by the Company by virtue of his noncompliance hereto, and shall immediately thereafter fully compensate the Company.

i. By signing this Agreement, the Employee undertakes to bear and pay the following: (a) deductible amounts with which the Company may be charged by the insurance company issuing the insurance policy covering the Vehicle in the event of damage to the Vehicle, up to an amount of NIS800; (b) in the event of loss of the Vehicle or damage to the Vehicle due to theft resulting from Employee's negligence – deductible amounts and all other expenses related to said loss and shall indemnify and/or reimburse the Company for all expenses incurred by it as a result of such loss, up to an amount of NIS800 and (c) in the event that the leasing company shall demand the payment of compensation of any type, due to the unlawful and/or unreasonable and/or negligent use by the Employee of the Vehicle - any amounts so demanded by the leasing company and other expenses in connection therewith, up to an amount of NIS800; (d) all penalties and/or administrative liability of traffic or other violations that are carried out in the Vehicle commencing from the Effective Date and until the Vehicle is returned to the Company and (e) parking expenses, driving tickets or fines. It is hereby agreed that the Company shall assign to the Employees responsibility any and all traffic tickets received

j. Accidents: In the event of an accident, the Employee shall immediately notify the Company and act in accordance with the Company's instructions.

IN WITNESS WHEREOF, the Company and the Employee have executed this Agreement as of the Effective Date.

Airobotics Ltd.	**Yishay Curelaru**
By: ______________________	Signature: ______________________
Name:	Date:
Title:	

Exhibit 10.6

<u>AMENDMENT TO EMPLOYMENT AGREEMENT</u>

This Amendment to Employment Agreement (the "**Amendment**") is made and entered into this 1 day of February 2023 (the "**Amendment Effective Date**"), by and among Airobotics Ltd., an Israeli corporation (the "**Company**") and Yishay Curelaru (the "**Employee**") (Company and the Employee shall each be referred hereto as a "**Party**", and collectively, as the "**Parties**").

WHEREAS*,* on June 7st 2018, the Parties entered into an employment agreement (the "Original Agreement");

WHEREAS, the Parties wish to amend certain terms and provisions in the Original Agreement as detailed below;

NOW, THEREFORE, the Parties hereby agree as follows:

1. It is hereby agreed that effective as of the date hereof, the following terms and provision shall apply to the relations between the Company and Employee, replacing, supplementing and changing the existing terms set forth in the Original Agreement, as detailed below:

    1.1. Section 5,6,7 of Exhibit A of the Original Agreement shall be deleted in their entirety from the Original Agreement and replaced with the following:

5.	Base Salary	NIS 41,000 (gross)
6.	Global Overtime Payment	NIS 14,000 (gross)
7.	Monthly Salary	NIS 55,000 (gross)

2. Except as specifically modified in this Amendment, the provisions, terms, conditions and definitions in the Original Agreement shall remain in full force and effect and shall apply to this Amendment *mutatis mutandis.*

3. This Amendment shall be deemed an integral part of the Original Agreement. In any event of inconsistency between the terms of the Original Agreement and the terms of this Amendment, the terms of this Amendment shall prevail.

4. This Amendment shall be governed by and construed under the laws of the State of Israel, without regard to the conflicts of law principles of such State. The Parties irrevocably submit to the exclusive jurisdiction of the Courts of the district of Tel Aviv-Jaffa in respect of any dispute or matter arising out of or connected with this Amendment.

5. This Amendment and the Original Agreement constitute the full and entire understanding and agreement

IN WITNESS WHEREOF, the parties have executed this amendment.

Airobotics Ltd.		**Yishay Curelaru**	
By:	/s/ Meir Kliner	Signature:	/s/ Yishay Curelaru
Name:	Meir Kliner	Name:	Yishay Curelaru
Title:	2/15/2023	Date:	2/15/2023

Exhibit 31.1

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: November 14, 2023

/s/ Eric A. Brock

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL 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: November 14, 2023

/s/ Eric A. Brock

Eric A. Brock
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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 September 30, 2023, 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: November 14, 2023

/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.

Exhibit 32.2

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 September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric A. Brock, Interim 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: November 14, 2023

/s/ Eric A. Brock
Eric A. Brock
Interim 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.