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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

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

For the transition period from to

Commission File No. 001-42497

ODYSIGHT.AI INC.
(Exact name of registrant as specified in its charter)

Nevada	**47-4257143**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Suite 7A, Industrial Park P.O. Box 3030, Omer, Israel	**8496500**
(Address of Principal Executive Offices)	(Zip Code)

+972 73 370-4690
(Registrant's telephone number, including area code)

(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 exchange on which registered
Common Stock, par value $0.001 per share	**ODYS**	**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 ☒

As of May 14, 2025, the registrant had 16,316,455 shares of common stock, par value $0.001 per share, of the registrant issued and outstanding.

As used in this Quarterly Report and unless otherwise indicated, the terms "Odysight.ai," "we," "us," "our," or "our Company" refer to Odysight.ai. Unless otherwise specified, all dollar amounts are expressed in United States dollars.

ODYSIGHT.AI INC.

QUARTERLY REPORT ON FORM 10-Q

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “may,” “objective,” “plan,” “predict,” “potential,” “positioned,” “seek,” “should,” “target,” “will,” “would,” and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- our ability to scale up upon our operations, including market acceptance of our vision-based sensor products;
- the amount and timing of future sales;
- our ability to meet technical and quality specifications;
- our ability to accurately estimate the future supply and demand for the *Odysight TruVision* solution and changes to various factors in our supply chain;
- the market for adoption of vision-based sensor technologies;
- existing regulations and regulatory developments in the United States and other jurisdictions;
- our plans and ability to obtain or protect intellectual property rights, including extensions of patent terms where available and our ability to avoid infringing the intellectual property rights of others;
- the need to hire additional personnel and our ability to attract and retain such personnel;
- our estimates regarding expenses, backlog, future revenue, capital requirements and need for additional financing;
- our dependence on third parties;
- our financial performance;
- the growth of regulatory requirements and incentives;
- risks related to product liability claims or product recalls;
- the overall global economic environment and trade tensions, including the adoption or expansion of economic sanctions, tariffs or trade restrictions;
- the impact of competition and new technologies;
- our plans to continue to invest in research and develop technology for new products;
- our plans to potentially acquire complementary businesses;
- the impact of any resurgence of COVID-19 or any of its variants or any other pandemic on our business and on the business of our customers;
- security, political and economic instability in the Middle East that could harm our business, including due to the current war in Israel; and
- the increased expenses associated with being a listed public company on the Nasdaq Capital Market, or Nasdaq.

Forward-looking statements are based on our management’s current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management’s beliefs and assumptions, are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Quarterly Report on Form 10-Q may turn out to be inaccurate. Important factors that may cause actual results to differ materially from current expectations including, among other things, those listed under “*Risk Factors*” our Annual Report on Form 10-K for the year ended December 31, 2024 (filed on March 26, 2025). Readers are urged to consider these factors carefully in evaluating the forward-looking statements. You should read our Annual Report on Form 10-K for the year ended December 31, 2024, and the documents that we reference in and have filed as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2024, completely and with the understanding that our actual future results may be materially different from what we expect.

Forward-looking statements included in this Quarterly Report on Form 10-Q speak only as of the date of this Quarterly Report on Form 10-Q. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks we describe in the reports we will file from time to time with the Securities and Exchange Commission (“SEC”) after the date of this Quarterly Report on Form 10-Q. We qualify all of our forward-looking statements by these cautionary statements.

Item 1. Financial Statements

ODYSIGHT.AI INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2025

ODYSIGHT.AI INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2025	December 31, 2024
	Unaudited	Audited
	USD in thousands	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	36,881	18,164
Restricted cash	326	-
Restricted deposit	-	322
Accounts receivable	192	1,510
Inventory	-	203
Other current assets	692	588
Total current assets	38,091	20,787
NON-CURRENT ASSETS:		
Contract fulfillment assets	-	1,017
Property and equipment, net	407	407
Operating lease right-of-use assets	995	1,113
Severance pay asset	254	259
Other non-current assets	96	96
Total non-current assets	1,752	2,892
TOTAL ASSETS	39,843	23,679

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

ODYSIGHT.AI INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

	March 31, 2025	December 31, 2024
	Unaudited	Audited
	USD in thousands	
Liabilities and shareholders' equity		
CURRENT LIABILITIES:		
Accounts payable	486	442
Contract liabilities - short term	243	702
Operating lease liabilities - short term	505	539
Accrued compensation expenses	1,456	1,124
Related parties	218	120
Other current liabilities	510	368
Total current liabilities	3,418	3,295
NON-CURRENT LIABILITIES:		
Contract liabilities - long term	-	1,373
Operating lease liabilities - long term	406	508
Liability for severance pay	254	259
Total non-current liabilities	660	2,140
TOTAL LIABILITIES	4,078	5,435
SHAREHOLDERS' EQUITY:		
Common stock, $0.001 par value; 300,000,000 shares authorized as of March 31, 2025 and December 31, 2024, 16,307,321 and 12,612,517 shares issued and outstanding as of March 31, 2025 and December 31, 2024 , respectively	17	13
Additional paid-in capital	85,987	64,205
Accumulated deficit	(50,239)	(45,974)
TOTAL SHAREHOLDERS' EQUITY	35,765	18,244
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	39,843	23,679

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

ODYSIGHT.AI INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three months ended March 31, 2025	Three months ended March 31, 2024
	Unaudited	
	USD in thousands (except per share data)	
REVENUES	2,065	187
COST OF REVENUES	1,527	410
GROSS PROFIT (LOSS)	538	(223)
RESEARCH AND DEVELOPMENT EXPENSES	2,487	1,567
SALES AND MARKETING EXPENSES	396	234
GENERAL AND ADMINISTRATIVE EXPENSES	2,215	1,340
OPERATING LOSS	(4,560)	(3,364)
FINANCING INCOME, NET	295	202
NET LOSS	(4,265)	(3,162)
Net loss per ordinary share (basic and diluted, USD)	(0.29)	(0.30)
Weighted average ordinary shares (basic and diluted, in thousands)	14,575	10,445

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

ODYSIGHT.AI INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Three Months Ended March 31, 2025 (Unaudited)

	Common Stock Number	Common Stock Amount	Additional paid-in capital	Accumulated deficit	Total Shareholders' equity
	In thousands	USD in thousands			
Balance at January 1, 2025	12,613	$ 13	$ 64,205	(45,974)	$ 18,244
Stock based compensation	-	-	806	-	806
Issuance of shares upon RSU vesting	5	*	(*)	-	-
Issuance of shares, net of issuance cost	3,653	4	20,863	-	20,867
Options exercise	37	*	113	-	113
Net loss	-	-	-	(4,265)	(4,265)
Balance at March 31, 2025	16,308	$ 17	$ 85,987	$ (50,239)	$ 35,765

Three Months Ended March 31, 2024 (Unaudited)

	Common Stock Number	Common Stock Amount	Additional paid-in capital	Accumulated deficit	Total Shareholders' equity
	In thousands	USD in thousands			
Balance at January 1, 2024	10,444	$ 10	$ 52,004	$ (34,207)	$ 17,807
Stock based compensation	-	-	500	-	500
Issuance of shares upon RSU vesting	3	*	(*)	-	-
Net loss	-	-	-	(3,162)	(3,162)
Balance at March 31, 2024	10,447	$ 10	$ 52,504	$ (37,369)	$ 15,145

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

* **Represents an amount less than $1 thousand**

ODYSIGHT.AI INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,	
	2025	2024
	Unaudited	
	USD in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(4,265)	(3,162)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation	27	33
Stock based compensation	806	500
Interest and exchange differences from operating lease liability	(16)	(17)
Profit from exchange differences on cash and cash equivalents	29	21
Interest income in respect of deposits	12	(132)
CHANGES IN OPERATING ASSET AND LIABILITY ITEMS:		
Decrease in accounts receivable	1,318	1,249
Decrease (increase) in inventory	203	(100)
Decrease in operating lease liability	(120)	(114)
Decrease in right-of-use asset	118	109
Increase in current and non-current other assets	(104)	(130)
Increase in account payables	9	112
Increase (decrease) in related parties	98	(2)
Decrease in contract fulfillment assets	1,017	60
Decrease in current and non-current contract liabilities	(1,832)	(75)
Increase in accrued compensation expenses	332	353
Increase in current and non-current other liabilities	135	65
Net cash flows used in operating activities	(2,233)	(1,230)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Withdrawal of short term deposits	310	-
Purchase of property and equipment	(27)	(22)
Net cash flows provided by (used in) investing activities	283	(22)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares , net of issuance cost	20,909	-
Proceeds from options exercise	113	-
Net cash flows provided by financing activities	21,022	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	19,072	(1,252)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,164	8,945
PROFIT FROM EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(29)	(21)
BALANCE OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT THE END OF THE PERIOD	37,207	7,672
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheet:		
Cash and cash equivalents	36,881	7,362
Restricted cash	326	310
Total cash, cash equivalents and restricted cash	37,207	7,672

SUPPLEMENTAL INFORMATION FOR CASH FLOW:

Non cash activities -

	Three months ended March 31,	
	2025	2024
	Unaudited	
	USD in thousands	
Right-of-use assets obtained in exchange for operating lease liabilities	-	87
Termination of right-of-use assets in exchange for cancellation of operating lease obligations	-	(31)

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

NOTE 1 – GENERAL:

a. Odysight.ai Inc (the "Company") was incorporated under the laws of the State of Nevada on March 22, 2013.

The Company's wholly owned subsidiary, Odysight.ai Ltd ("Odysight.ai"), was incorporated in the State of Israel on January 3, 2019, and was merged into the Company on December 31, 2019 in a share exchange transaction, following which the surviving operations of the merged entity were the operations of Odysight.ai.

On February 28, 2024, D. VIEW Ltd., a wholly owned subsidiary of the Company was incorporated in the State of Israel to act as a local representative for the defense market in Israel.

On January 9, 2025, Odysight.Ai Eu S.r.l., a wholly owned subsidiary of the Company was incorporated under the laws of Italy.

References to the Company include the subsidiaries unless the context indicates otherwise.

The Company, through its subsidiaries, provides vision-based platform solutions for the Predictive Maintenance (PdM) and Condition Based Monitoring (CBM) markets with its visualization and AI platform. The Company's video sensor-based solutions and its embedded software, and AI algorithms are deployed in hard-to-reach locations and harsh environments across a variety of PdM and CBM use cases and allow maintenance and operations teams visibility into areas which are inaccessible under normal operation, or where the operating ambience is not suitable for continuous real-time monitoring. Some of the Company's products utilize micro visualization technology in medical devices for minimally invasive medical procedures.

On February 11, 2025, the Company's common stock began trading on the Nasdaq Capital Market under the symbol "ODYS". Prior to such date, the Company was quoted on the OTCQB under the same symbol.

b. Since incorporation of Odysight.ai and through March 31, 2025, the Company accumulated a deficit of approximately $50.2 million and its activities have been funded mainly by its shareholders. The Company's management believes the Company' cash and cash resources will allow the Company to fund its operating plan through at least the next 12 months from the filing date of these Consolidated Financial Statements. However, the Company expects to continue to incur significant research and development and other costs related to its ongoing operations, requiring the Company to obtain additional funding in order to continue its future operations until becoming profitable.

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a. Unaudited Interim Financial Statements

The accompanying unaudited interim condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included (consisting only of normal recurring adjustments except as otherwise discussed). For further information, reference is made to the consolidated financial statements and footnotes thereto included in the Group's Annual Report on Form 10-K for the year ended December 31, 2024.

b. Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

c. Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company evaluates on an ongoing basis its assumptions, including those related to contingencies, inventory impairment, stock-based compensation, as well as in estimates used in applying the revenue recognition policy. Actual results may differ from those estimates.

d. Significant Accounting Policies

The significant accounting policies followed in the preparation of these unaudited interim condensed consolidated financial statements are identical to those applied in the preparation of the latest annual financial statements.

e. Recent Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Group's condensed consolidated financial statements.

NOTE 3 – LEASES:

a. Omer office space

In December 2020, Odysight.ai entered into a lease agreement for office space in Omer, Israel (the “original space”), with the 36-month term for such agreement beginning on January 1, 2021. In March 2021, Odysight.ai entered into a lease agreement for additional office space in Omer, Israel (the “additional space”), with the term for such agreement ending December 31, 2023.

On June 25, 2023, Odysight.ai entered into an amendment to these agreements, pursuant to which the lease for the additional space was shortened and ended on June 30, 2023 and the lease for the original space was extended for an additional five years until December 31, 2028. It was also agreed that Odysight.ai has an option to terminate the agreement for the original space after three years. Odysight.ai expect that the lease period will be three years.

Monthly lease payments under the agreement for the original space are approximately $7 thousand.

b. Ramat Gan office space

In May 2023, Odysight.ai entered into a lease agreement for office space in Ramat Gan, Israel. The agreement is for 48 months beginning on July 1, 2023 and the Company has an option to extend the lease period for an additional two years. The Company does not currently expect to extend the lease period. Monthly lease payments under the agreement are approximately $25 thousand.

Odysight.ai subleases part of the office space in Ramat Gan to a third party for approximately $7 thousand per month.

c. The Company leases vehicles for the use of certain of its employees in Israel. The lease terms are typically for three-year periods.

Supplemental cash flow information related to operating leases was as follows:

	Three months ended March 31,	
	2025	2024
	USD in thousands	
Cash paid for amounts included in the measurement of lease liabilities	147	151

As of March 31, 2025, the Company’s operating leases had a weighted average remaining lease term of 0.54 years and a weighted average discount rate of 6% for vehicles and 12.8% for offices.

The maturities of lease liabilities under operating leases as of March 31, 2025 are as follows:

	Operating leases
	USD in thousands
Remainder of 2025	410
2026	446
2027	157
Total future lease payments	1,013
Less imputed interest	(102)
Total lease liability balance	911

NOTE 4 – OTHER CURRENT LIABILITIES:

Other current liabilities consisted of the following:

	March 31, 2025	December 31, 2024
	USD in thousands	
Government authorities	77	79
Accrued expenses	378	261
Other payables	55	28
	510	368

NOTE 5 – EQUITY:

a. Private Placement

1. On March 29, 2021, the Company issued to certain investors, including Moshe (Mori) Arkin, a major stockholder and director of the Company, an aggregate of 2,469,156 units in exchange for an aggregate purchase price of $20 million. Each such unit consisted of (i) one share of the Company's common stock and (ii) one warrant to purchase one share of the Company's common stock with an exercise price of $10.35 per share. Each such warrant is exercisable until March 31, 2026 and subject to customary adjustments. Pursuant to the terms of the foregoing warrants, following April 1, 2024, if the closing price of the Company's common stock equals or exceeds 135% of the aforementioned exercise price (subject to appropriate adjustments for stock splits, stock dividends, stock combinations and other similar transactions after the issue date of the warrants) for any thirty (30) consecutive trading days, the Company may force the exercise of the warrants, in whole or in part, by delivering to these investors a notice of forced exercise.

2. On March 16, 2023, the Company entered into stock purchase agreements for a private placement with (i) Moshe (Mori) Arkin and (ii) The Phoenix Insurance Company Ltd. ("Phoenix Insurance") and Shotfut Menayot Israel – Phoenix Amitim ("Phoenix Amitim"), in connection with the sale and issuance of an aggregate of 3,294,117 units, at a purchase price of $4.25 per unit, and for an aggregate purchase price of $14 million. Each unit consisted of: (i) one share of the Company's common stock and (ii) one warrant to purchase one share of the Company's common stock. The warrants are immediately exercisable, expire three years from the date of issuance and are subject to customary adjustments.

3. On July 16, 2024, the Company issued 2,144,583 shares of its common stock in consideration for a purchase price of $4.80 per share to new and existing investors, including Moshe (Mori) Arkin and The Phoenix Holdings, through Phoenix Insurance and Phoenix Amitim (the "2024 Private Placement"). The Company raised approximately $10.3 million (gross) in the 2024 Private Placement. After deducting issuance costs, the Company received proceeds of approximately $9.8 million.

4. On February 12, 2025, the Company completed a U.S. underwritten public offering issuing 3,307,692 shares of the Company's common stock at a price of $6.50 per share. The Company also granted the underwriters a 30-day over-allotment option to purchase up to an additional 496,153 shares at a purchase price of $6.50 per share. On February 14, 2025, the Company sold an additional 345,432 shares of common stock as a result of a partial exercise of the over-allotment option at the public offering price of $6.50 per share. Following the exercise of the over-allotment option, the Company sold a total of 3,653,124 shares of common stock, generating gross proceeds of approximately $23.7 million, prior to the deduction of underwriting discounts, commissions and estimated offering expenses. After deducting issuance costs, the Company received proceeds of approximately $20.9 million.

Warrants:

As of March 31, 2025, the Company had the following outstanding warrants to purchase common stock:

Warrant	Issuance Date	Expiration Date	Exercise Price Per Share ($)	Number of Shares of common stock Underlying Warrants
March 2021 Warrant	March 29, 2021	March 31, 2026	10.35	2,469,156
March 2023 Warrant	March 27, 2023	March 26, 2026	5.50	3,294,117
				5,763,273

NOTE 5 – EQUITY (continued):

b. Stock-based compensation for employees, directors and service providers:

In February 2020, the Company's Board of Directors approved the 2020 Share Incentive Plan (the "2020 Plan").

The 2020 Plan initially included a pool of 580,890 shares of common stock for grant to Company employees, consultants, directors and other service providers. On March 15, 2020, the Company's Board of Directors approved an increase to the Company's option pool pursuant to the 2020 Plan by an additional 64,099 shares of common stock. On June 22, 2020, the Company's Board of Directors approved an increase to the Company's option pool pursuant to the 2020 Plan by an additional 401,950 shares of common stock. During the second quarter of 2021, the Company's Board of Directors approved an increase to the Company's option pool pursuant to the 2020 Plan by an additional 777,778 shares of common stock. During the first quarter of 2023, the Company's Board of Directors approved an increase to the option pool pursuant to the 2020 Plan by an additional 1,000,000 shares of common stock.

In June 2024, the Company's Board of Directors approved the 2024 Share Incentive Plan (the "2024 Plan"). With adoption of the 2024 Plan, the Company ceased making new awards under the 2020 Plan.

The 2024 Plan initially included a pool of 234,484 shares of common stock, representing the number of shares remaining available for grant under the 2020 Plan. These shares are available for future grant to Company employees, consultants, directors and other service providers. Shares that were subject to awards granted under either the 2020 Plan or the 2024 Plan that have expired or were cancelled or become un-exercisable for any reason without having been exercised in full shall become available for future grant under the 2024 Plan.

In July 2024, the Company's Board of Directors approved an increase to the 2024 Plan's option pool by an additional 850,000 shares of common stock.

Also in July 2024, stockholders approved the 2024 Plan.

The 2020 Plan and 2024 Plan each provide for the grant of stock options (including incentive stock options and nonqualified stock options), shares of common stock, restricted shares, restricted share units, and other share-based awards.

Stock option activity

During the three months ended March 31, 2025, the Company granted 181,000 options pursuant to the 2024 Plan.

The fair value of each option was estimated as of the date of grant or reporting period using the Black-Scholes option-pricing model, using the following assumptions:

	Three months ended March 31, 2025
Underlying value of ordinary shares ($)	5.12
Exercise price ($)	6.50
Expected volatility (%)	99.65%
Term of the options (years)	7
Risk-free interest rate	4.10%

The cost of the benefit embodied in the options granted during the three months ended March 31, 2025, based on their fair value as of the grant date, is estimated to be approximately $926 thousand. These amounts will be recognized in the statements of operations and comprehensive income over the vesting period.

The following table summarizes stock option activity for the three months ended March 31, 2025:

	For the Three months ended March 31, 2025	
	Amount of options	Weighted average exercise price
		$
Outstanding at beginning of period	3,227,234	3.78
Granted	181,000	6.50
Exercised	(36,679)	3.08
Forfeited	(13,335)	3.67
Outstanding at end of period	3,358,220	3.94
Vested at end of period	1,889,771	3.49

NOTE 5 – EQUITY (continued):

Restricted stock unit ("RSU") activity

During the three months ended March 31, 2025, the Company did not grant any RSUs.

Each RSU vests based on continued service to the Company, generally over three years. The grant date fair value of the award is recognized as stock-based compensation expense over the requisite service period. The fair value of restricted stock units was estimated on the date of grant based on the fair value of the Company's common stock.

The following table summarizes RSU activity for the three months ended March 31, 2025:

	For the Three months ended March 31, 2025	
	Amount of RSUs	**Weighted Average Grant Date Fair Value per Share**
		$
Outstanding at beginning of period	15,419	3.56
Granted	-	-
Forfeited	-	-
Vested	(5,001)	4.72
Unvested and Outstanding at end of period	10,418	3.00

The following table sets forth the total stock-based payment expenses resulting from options and RSUs granted, included in the statements of operation and comprehensive income:

	Three months ended March 31,	
	2025	**2024**
	USD in thousands	
Cost of revenues	(2)	9
Research and development	246	135
Sales and marketing expenses	103	50
General and administrative	459	306
Total expenses	806	500

NOTE 6 – REVENUES:

a. Disaggregation of revenue

(1) During the second quarter of 2022, the Company completed the development of a customer-specific project for a Fortune 500 medical company customer (the "Client") and moved from the project development phase to its production phase. Through March 31, 2025, the Company recognized development services revenues and costs that had been previously deferred based on the expected manufacturing term of the product, which the Company estimated originally at seven years. As of March 31, 2025, the Company has not received a purchase order from the Client with respect to 2025 and does not expect to receive such purchase order. As a result, the Company has derecognized in full the fulfillment asset and contract liability associated with the Client, in the amount of $1,690 thousand and $957 thousand, respectively.

(2) During the three months ended March 31, 2025, the Company recognized revenues from customization and development services in which the performance obligation is satisfied over time in the amount of $206 thousand.

b. Contract fulfillment assets and Contract liabilities:

The Company's contract fulfillment assets and contract liabilities as of March 31, 2025 and December 31, 2024 were as follows:

	March 31, 2025	December 31, 2024
	USD in thousands	
Contract fulfillment assets	-	1,017
Contract liabilities	243	2,075

Contract liabilities include deferred service and advance payments.

The change in contract fulfillment assets:

	March 31, 2025	December 31, 2024
	USD in thousands	
Balance at beginning of period	1,017	1,256
Contract costs recognized during the period	(1,017)	(239)
Balance at end of period	-	1,017

The change in contract liabilities:

	March 31, 2025	December 31, 2024
	USD in thousands	
Balance at beginning of period	2,075	2,322
Deferred revenue relating to new sales	47	253
Revenue recognized during the period	(1,875)	(500)
Balance at end of period	243	2,075

Remaining Performance Obligations

Remaining Performance Obligations ("RPO") represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that are expected to be invoiced and recognized as revenue in future periods. As of March 31, 2025, the total RPO amounted to approximately $14.8 million.

NOTE 7 – INVENTORY:

Composed as follows:

	March 31, 2025	December 31, 2024
	USD in thousands	
Raw materials and supplies	-	172
Work in progress	-	19
Finished goods	-	12
	-	203

For the three months ended March 31, 2025, the Company recognized an inventory impairment related to the Client in the amount of $203 thousand. See Note 6a(1).

NOTE 8 – LOSS PER SHARE

Basic loss per share is computed by dividing net loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares as described below.

Basic net loss per share is computed based on the weighted average number of shares outstanding during each year. Diluted net loss per share is computed based on the weighted average number of shares outstanding during each year, plus the dilutive potential of the Common Stock considered outstanding during the year, in accordance with ASC 260-10 “Earnings per Share”.

All outstanding stock options and warrants have been excluded from the calculation of the diluted loss per share for the period, since all such securities have an anti-dilutive effect.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

On April 2023, the Company received approval from the Israel Innovation Authority (the “IIA”) to support and enhance the Company’s production line and capabilities in the next 24 months until April 2025. Pursuant to the agreement with the IIA relating to the program, the Company has to pay royalties of 3% to the IIA up to the amount IIA funding received and the accrued interest repayment of the grant is contingent upon the Company successfully completing its enhancement plans and generating sales from the enhancements performed. The Company has no obligation to repay these grants if its enhancement plans are not completed or aborted or if it generates no sales.

NOTE 10 – SEGMENT REPORTING

Segment information is prepared on the same basis that the chief executive officer, who is the Company's chief operating decision maker, manages the business, makes business decisions and assesses performance. The Company has one reportable segment specializing in vision-based platform solutions as described in Note 1.

The Chief Executive Officer assesses performance for this segment and decides how to allocate resource. The measure of segment assets is reported on the balance sheet as total assets. The chief executive officer performs the assessment of segment performance by using the reported measure of segment profit or loss to monitor budget versus actual results.

The table below summarizes the significant expense categories regularly reviewed by the chief operating decision maker, for the three months ended March 31, 2025 and 2024:

	Three months ended March 31,	
	2025	**2024**
	USD in thousands	
Revenues	2,065	187
Cost of Sales (*)	1,520	389
Research and Development expenses (*)	2,228	1,419
Sales and marketing (*)	293	184
General and Administrative expenses (*)	1,751	1,026
Other segment items:		
Share-based payments	806	500
Depreciation	27	33
Finance income, net	295	202
Net loss	4,265	3,162

(*) Excluding share-based payments, depreciation expense and finance income, net

NOTE 11 – SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statements were issued and identified no subsequent events as of the date that the financial statements were issued.

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

Readers are advised to review the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and related notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2024. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements". You should review the "Risk Factors" section of our Annual Report for the year ended December 31, 2024 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We were incorporated under the laws of the State of Nevada on March 22, 2013, under the name Intellisense Solutions Inc.

On December 30, 2019, we acquired all of the issued and outstanding share capital of ScoutCam Ltd. and, on December 31, 2029, we changed our name to ScoutCam Inc. Following this acquisition, we integrated and fully adopted the acquired miniaturized imaging business into us as our primary business activity. On June 5, 2023, we changed our name to Odysight.ai Inc.

We are a pioneer in the development, production and marketing of an innovative visualization and artificial intelligence, or AI, solution that deploys small cameras to monitor critical safety components in hard-to-reach locations and harsh environments, across various Predictive Maintenance, or PdM, and Condition Based Monitoring, or CBM, use cases.

The *Odysight TruVision* solution streams visual information to our processing unit, an in-platform, high-performance AI/machine learning computer, allowing maintenance and operations teams, on the ground and during operations, visibility into areas that are inaccessible under normal operating conditions or where conditions are not suitable for continuous real-time monitoring. The rich and informative data, continuously collected and analyzed by our solution on our secured cloud, provides customers with real-time failure / anomaly detection, events and data recordings, interfacing with platform mission systems and providing real-time alerts and streaming video or images, all while training our algorithms for ongoing improved accuracy and prediction capabilities. Our customers benefit from increased safety, a reduction in downtime and lower maintenance costs for their monitored platforms, using the prediction capabilities of our solution to efficiently plan maintenance work on monitored components.

Our solution aims to enhance safety and minimizes downtime by enabling real-time visual analysis of any failure occurrences. Additionally, we leverage advanced big data analytics to offer predictive insights throughout the entire system lifecycle. This includes efficient spare parts management and intelligent performance predictions, ensuring optimal system reliability and efficiency.

The *Odysight TruVision* solution was successfully used by NASA as we seek to reshape the aerospace, Industry 4.0, transportation and energy markets with a vison-based technology leveraging AI and machine learning to deliver innovative solutions that transform maintenance practices. As used in this Quarterly Report on Form 10-Q, Industry 4.0, or I4.0, refers to the integration of advanced technologies into manufacturing and industrial processes to create smart, interconnected systems for improved efficiency and productivity.

Odysight solutions are already deployed in the aviation and medical sectors. Our customers include the Israeli Air Force, the Israeli Ministry of Defense, France-based Safran Aircraft Engines, a global international defense contractor, a leading Fortune 500 medical company as well as NASA, who came back to us for a repeat order. Historically, our revenue stream has been derived mainly from the medical sector. We have secured several contracts for our PdM and CBM systems with major government clients and defense and aviation companies and our backlog as of March 31, 2025 of approximately $14.8 million reflects mostly those contracts.

As of the date of this Quarterly Report on Form 10-Q, we have not received a purchase order from the Fortune 500 medical company customer with respect to 2025, and we do not expect to receive such purchase order for 2025. As result, we fully derecognized the fulfillment asset and contract liability associated with the Fortune 500 medical company customer, with balances as of March 31, 2025 of $1,690 thousand and $957 thousand, respectively. Additionally, we recorded an inventory impairment in the amount of $203 thousand.

Public Offering and Nasdaq Listing

In February 2025, we closed a public offering, including the exercise of an over-allotment option granted to the underwriter in the public offering. The public offering and the over-allotment option exercise price was $6.50 per share. In the aggregate, we sold a total of 3,653,124 shares of common stock, generating gross proceeds of approximately $23.7 million, prior to the deduction of underwriting discounts, commissions and estimated offering expenses. Also in February 2025, our common stock began trading on the Nasdaq Capital Market under the symbol “ODYS”.

Impact of the Ongoing War in Israel on Our Business

On October 7, 2023, the Hamas terrorist organization launched a series of deadly terror attacks on civilian and military targets skirting the Gaza Strip in the southern part of Israel and fired rockets on many of the communities in southern and central Israel. Following the attack, Israel’s security cabinet declared war and commenced a military campaign in Gaza against Hamas. Since the outbreak of the war, the Hezbollah terrorist organization has regularly fired rockets into northern Israel and, in October 2024, Israel invaded southern Lebanon in response to these attacks. On November 27, 2024, Israel and Lebanon agreed to a ceasefire, the result of which is uncertain. During the course of the war, other terrorist organizations have fired rockets into Israel, such as various rebel militia groups in Syria and Iraq and the Houthi movement, which controls parts of Yemen. The Houthis movement has also attacked commercial shipping vessels in the Gulf of Aden and Red Sea. In April and October 2024, the Islamic Republic of Iran targeted various sites in Israel with waves of drones, cruise missiles and ballistic missiles. Israel responded on both occasions with air defenses and retaliatory strikes against Iran.

The war has had significant economic, military and social consequences to Israel. To date the war has not had a material adverse effect on our business. While we have offices in Omer and Ramat Gan, Israel, neither of our sites is located near Israel’s relevant borders where the main impact of the war has been felt. Nevertheless, we have experienced some minor disruptions to our routine work, including some difficulties in traveling outside of Israel and occasional rocket fire on the municipalities where our offices are located, requiring our employees to take temporarily shelter for a few minutes at a time in on-site safe rooms. In addition, several of our executives and employees, including company officers such as our CEO, were called up to military reserve duty. As of the date of this Quarterly Report on Form 10-Q, our CEO is subject to military reserve duty a few days a month. We have taken various measures to mitigate the effects of the war, including adopting work-from-home measures, increased employee overtime and third-party outsourcing where needed, and reviewing our business continuity plan. In addition, with the backdrop of the ongoing conflict, some of our Israeli clients and potential clients have not prioritized conducting transactions with us, and the war may have caused some delays in their finalizing purchase orders. We do not believe that such delays have had a material impact on our business. The war has also increased negative sentiments regarding Israel and Israeli companies in the international community. For example, Israeli defense companies were initially banned from participating in two prestigious industry conferences in France during 2024; however, both bans were later overturned by French courts and did not impact our participation in such conferences.

Conversely, as a result of the intensive flight hours flown by all Israeli Air Force platforms as a result of the war and an enhanced Israel Ministry of Defense budget, we have experienced a growing interest in our technology from Israeli government agencies and R&D programs, which may lead to more rapid assimilation of our technology into relevant platforms than we had anticipated prior to the commencement of the war, positively affecting on our business activity. For additional information, see “*Risks Related to our Operations in Israel – Our headquarters and other significant operations are located in Israel and, therefore, our results may be adversely affected by political, economic and military instability in Israel” in our Annual Report on Form 10-K for the year ended December 31, 2024.*

Comparison of the three months ended March 31, 2025 and 2024

The following table summarizes our results of operations for the three months period ended March 31, 2025 and 2024, together with the changes in those items in dollars and as a percentage:

	2025	**2024**	% Change
Revenues	2,065,000	187,000	1004%
Cost of Revenues	1,527,000	410,000	272%
Gross Profit (Loss)	538,000	(223,000)	
Research and development expenses	2,487,000	1,567,000	59%
Sales and marketing expense	396,000	234,000	69%
General and administrative expenses	2,215,000	1,340,000	65%
Operating Loss	(4,560,000)	(3,364,000)	36%

Revenues

As a result of the nature of our target market and the current stage of our development, a substantial portion of our revenue comes from a limited number of customers.

For the three months ended March 31, 2025, we generated revenues of $2,065,000, an increase of $1,878,000, or 1,004%, compared to revenues of $187,000 for the three months ended March 31, 2024.

The increase in revenue was primarily due to the full derecognition of the contract liability associated with the Fortune 500 medical company customer, in the amount of $1,690 thousand, as described in Note 6a(1) to our interim consolidated financial statements for the three months ended March 31, 2025, and to an increase in revenues from our vision-based platform solutions for PdM and CBM.

Cost of Revenues

Cost of revenues for the three months ended March 31, 2025 was $1,527,000, an increase of $1,117,000, or 272%, compared to cost of revenues of $410,000 for the three months ended March 31, 2024.

The increase in cost of revenues was primarily due to the full derecognition of the fulfillment asset associated with the Fortune 500 medical company customer, in the amount of $957 thousand, and to the recognition of an inventory impairment of $203 thousand, as described in Note 6a(1) to our interim consolidated financial statements for the three months ended March 31, 2025.

Gross Profit (Loss)

Gross profit for the three months ended March 31, 2025 was $538,000, an increase of $761,000, compared to gross loss of $223,000 for the three months ended March 31, 2024.

The change in gross profit was due to an increase in revenues and to an increase in cost of revenues, as described above.

Research and Development Expenses

Research and development efforts are focused on new product development and on developing additional functionality for our new and existing products. These expenses primarily consist of employee-related expenses, including salaries, benefits, and stock-based compensation expense for personnel engaged in research and development functions, consulting, and professional fees related to research and development activities, prototype materials, facility costs and other allocated expenses, including expenses for rent and maintenance of our facilities, utilities, depreciation and other supplies. We expense research and development costs as incurred.

Research and development expenses for the three months ended March 31, 2025 were $2,487,000, an increase of $920,000, or 59%, compared to $1,567,000 for the three months ended March 31, 2024.

The increase in research and development expenses was mainly due to the development of new products and the resulting increase in payroll and related expenses for new employees' recruitment, an increase in stock-based compensation from new option grants and procuring materials and services of subcontractors for Industry 4.0 projects.

We expect that our research and development expenses will increase as we continue to develop our products and services and recruit additional research and development employees due to increased focus on R&D activities in the I4.0 domain.

Sales and Marketing Expenses

Sales and marketing expenses primarily consist of payroll and related expenses, consulting services, promotional materials, exhibitions, demonstration equipment and certain allocated facility infrastructure costs.

Sales and marketing expenses for the three months ended March 31, 2025 were $396,000, an increase of $162,000, or 69%, compared to $234,000 for the three months ended March 31, 2024.

The increase in sales and marketing expenses was primarily driven by the Company's efforts to penetrate new markets and enhance product visibility. This led to higher payroll and related expenses associated with the recruitment of new employees, an increase in stock-based compensation due to newly granted options and additional expenses resulting from the engagement of new marketing consultants.

We expect that our sales and marketing expenses will increase as we expand our selling and marketing efforts in the I4.0 domain.

General and Administrative Expenses

General and administrative expenses primarily consist of salaries and other related costs, including stock-based compensation, for personnel in executive, finance and administrative functions. General and administrative expenses also include direct and allocated facility-related costs as well as professional fees for legal, patent, consulting, investor, public relations, accounting, auditing, tax services and insurance costs.

General and administrative expenses for the three months ended March 31, 2025 were $2,215,000, an increase of $875,000, or 65%, compared to $1,340,000 for the three months ended March 31, 2024.

The increase in general and administrative expenses was primarily due to:

- an increase in payroll and related expenses due to the recruitment of new positions, including a CFO, and cash compensation bonuses paid to senior executives;
- expenses related to our fund raising and uplisting to Nasdaq;
- an increase in stock-based compensation from new option grants; and
- expenses related to our new Italian subsidiary;

Operating loss

We incurred an operating loss of $4,560,000 for the three months ended March 31, 2025, an increase of $1,196,000, or 36%, compared to operating loss of $3,364,000 for the three months ended March 31, 2024.

The increase in operating loss was due to increases in research and development expenses, general and administrative expenses and sales and marketing expenses, each as described above, partially offset by an increase in gross profit.

Backlog

Backlog represents booked orders based on purchase orders or hard commitments but not yet recognized as revenue. Orders included in backlog may be cancelled or rescheduled by customers. A variety of conditions, both specific to the individual customer and generally affecting the customer's industry, may cause customers to cancel, reduce or delay orders that were previously made or anticipated. We cannot assure the timely replacement of cancelled, delayed or reduced orders. Backlog is presented for supplemental informational purposes only and is not intended to be a substitute for any GAAP financial measures, including revenue or net income (loss), and, as calculated, may not be comparable to companies in other industries or within the same industry with similarly titled measures of performance. In addition, backlog should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Therefore, backlog should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP.

Our backlog as of March 31, 2025 was approximately $14.8 million compared to approximately $15.0 million as of December 31, 2024.

Cash Flows

Our primary uses of cash from operating activities have been for payroll expenses, research and development costs, manufacturing costs, marketing and promotional expenses, professional services costs and costs related to our facilities. We expect that cash flows from operating activities will continue to increase due to an expected increase in the expenses of our business and our working capital requirements.

The following table sets forth the significant sources and uses of cash for the periods set forth below (in dollars):

	Three months ended March 31,	
	2025	**2024**
Cash used in Operating Activity	(2,233,000)	(1,230,000)
Cash provided by (used in) Investing Activity	283,000	(22,000)
Cash provided by Financing Activity	21,022,000	-

Operating Activities

During the three months ended March 31, 2025, cash used in operating activities was $2.2 million, consisting of net loss of $4.3 million, a non-cash benefit of $0.9 million and a favorable net change in operating assets and liabilities of $1.2 million. Our non-cash benefit consisted primarily of non-cash charges for stock-based compensation. The net change in our operating assets and liabilities primarily reflects cash inflows from changes in account receivable, inventory, compensation expenses and fulfillment asset, partially offset by cash outflows from changes in current and non-current liabilities.

During the three months ended March 31, 2024, cash used in operating activities was $1.2 million, consisting of net loss of $3.1 million, a non-cash benefit of $0.4 million and a favorable net change in operating assets and liabilities of $1.5 million. Our non-cash benefit consisted primarily of non-cash charges for stock-based compensation. The net change in our operating assets and liabilities primarily reflects cash flows from changes in account receivable.

Investing Activities

During the three months ended March 31, 2025, cash provided by investing activities was $283,000, consisting mainly of withdrawal of short-term deposits.

During the three months ended March 31, 2024, cash used in investing activities was $22,000, consisting of purchase of property and equipment.

Financing Activities

During the three months ended March 31, 2025, cash provided by financing activities was $21 million, consisting of cash proceeds from issuance of shares in our public offering that closed in February 2025.

Liquidity and Capital Resources

As of March 31, 2025, we had cash and cash equivalents and restricted cash of $37.2 million compared to cash and cash equivalents and restricted deposit of $18.5 million as of December 31, 2024. In addition, as of March 31, 2025, we incurred an accumulated deficit of $50.2 million compared to $ 46 million as of December 31, 2024.

In February 2025, we closed a public offering, including the exercise of an over-allotment option granted to the underwriter in the public offering, at a price of $6.50 per share. In the aggregate, we issued 3,653,124 shares of common stock, generating gross proceeds of approximately $23.7 million, prior to the deduction of underwriting commissions and estimated offering expenses.

Our primary sources of liquidity to date have been from fund-raising, revenues from customers and warrant exercises.

Additional Cash Requirements

We plan to continue to invest in long-term growth, and therefore we expect that our expenses will grow. We currently believe that our existing cash and cash equivalents and short-term deposits will allow us to fund our operating plan through at least the next 12 months from the date of this report. We expect our expenses will increase in connection with our ongoing activities, particularly as we continue the research and development and the scale up *Odysight* TruVision solutions. We expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Furthermore, we will continue to incur additional costs associated with operating as a public company. Accordingly, we may need to raise additional capital before we become profitable from sales of our solutions and may do so to expand our business, pursue strategic investments, take advantage of financing opportunities or for other reasons. We may raise these funds through equity financing, debt financing or other sources, which may result in further dilution in the equity ownership of our common stock. There is no assurance that we will be able to maintain operations at a level sufficient for investors to obtain a return on their investment in our common stock, or that we will be able to raise sufficient capital required to implement our business plan on acceptable terms, if at all. Even if we are successful in raising sufficient capital to implement our business plan, we will, most likely, continue to be unprofitable for the foreseeable future. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

Contractual Obligations and Commitments

Operating lease payments represent our commitment for future rent made leases for our offices in Israel and for vehicle leasing. The total future payments for our operating lease obligation as of March 31, 2025 were approximately $1 million. For additional details regarding our lease, see Note 3 to our interim consolidated financial statements for the three months ended March 31, 2025.

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, we are not required to provide the information requested by this Item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15(e). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

No change in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(e), occurred during the fiscal quarter ended March 31, 2025 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings relating to claims arising from the ordinary course of business. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which could have a material adverse effect on our results of operations, financial condition or cash flows.

ITEM 1A. RISK FACTORS.

There have been no material changes from the information set forth in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024 as filed with the SEC on March 26, 2025.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended March 31, 2025, we did not have any sales of unregistered securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

During the quarter ended March 31, 2025, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (in each case, as defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS.

(a) The following documents are filed as exhibits to this Quarterly Report or incorporated by reference herein.

Exhibit Number	Description
3.1.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1.1 to our Form S-1 filed with the SEC on July 17, 2023)
3.2.1	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed with the SEC on June 8, 2023)
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.INS	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 in Inline XBRL and contained in Exhibit 101)
*	Filed herewith.
**	Furnished herewith.

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 hereunto duly authorized.

Date: May 15, 2025

ODYSIGHT.AI INC.

By: */s/ Yehu Ofer*
Name: Yehu Ofer
Title: Chief Executive Officer
Odysight.ai.Inc

By: */s/ Einav Brenner*
Name: Einav Brenner
Title: Chief Financial Officer
Odysight.ai Inc

Exhibit 31.1

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

I, Yehu Ofer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2025 of Odysight.ai.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 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 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: May 15, 2025

/s/ Yehu Ofer
Yehu Ofer
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Einav Brenner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2025, of Odysight.ai.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 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 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: May 15, 2025

/s/ Einav Brenner
Einav Brenner
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
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 on Form 10-Q of Odysight.ai.Inc. (the "Company") for the period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yehu Ofer, 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 the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2025

/s/ Yehu Ofer
Yehu Ofer
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
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 on Form 10-Q of Odysight.ai.Inc. (the "Company") for the period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Einav Brenner, 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 the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2025

/s/ Einav Brenner
Einav Brenner
Chief Financial Officer
(Principal Financial Officer)