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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2025**

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

- | | |
|---|---|
| <input type="checkbox"/> Large accelerated filer | <input type="checkbox"/> Accelerated filer |
| <input checked="" type="checkbox"/> Non-accelerated filer | <input checked="" type="checkbox"/> Smaller reporting company |
| | <input type="checkbox"/> 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 August 13, 2025, the registrant had 16,330,827 shares of common stock, par value \$0.001 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 FINANCIAL STATEMENTS
AS OF JUNE 30, 2025

CONSOLIDATED ODYSIGHT.AI INC.

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ODYSIGHT.AI INC.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>USD in thousands</u>	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	32,910	18,164
Restricted cash	328	-
Restricted deposit	-	322
Accounts receivable	509	1,510
Inventory	-	203
Other current assets	1,138	588
Total current assets	<u>34,885</u>	<u>20,787</u>
NON-CURRENT ASSETS:		
Contract fulfillment assets	-	1,017
Property and equipment, net	379	407
Operating lease right-of-use assets	919	1,113
Severance pay asset	280	259
Other non-current assets	96	96
Total non-current assets	<u>1,674</u>	<u>2,892</u>
TOTAL ASSETS	<u>36,559</u>	<u>23,679</u>

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

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ODYSIGHT.AI INC.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

	June 30, 2025	December 31, 2024
	Unaudited	Audited
	USD in thousands	
Liabilities and shareholders' equity		
CURRENT LIABILITIES:		
Accounts payable	554	442
Contract liabilities - short term	279	702
Operating lease liabilities - short term	538	539
Accrued compensation expenses	1,329	1,124
Related parties	155	120
Other current liabilities	439	368
Total current liabilities	3,294	3,295
NON-CURRENT LIABILITIES:		
Contract liabilities - long term	-	1,373
Operating lease liabilities - long term	381	508
Liability for severance pay	280	259
Total non-current liabilities	661	2,140
TOTAL LIABILITIES	3,955	5,435
SHAREHOLDERS' EQUITY:		
Common stock, \$0.001 par value; 300,000,000 shares authorized as of June 30, 2025 and December 31, 2024, 16,326,656 and 12,612,517 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	17	13
Additional paid-in capital	86,901	64,205
Accumulated deficit	(54,314)	(45,974)
TOTAL SHAREHOLDERS' EQUITY	32,604	18,244
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	36,559	23,679

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

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ODYSIGHT.AI INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Six months ended June 30,		Three months ended June 30,	
	2025	2024	2025	2024
	Unaudited			
	USD in thousands			
REVENUES	2,427	1,368	362	1,181

COST OF REVENUES	1,756	1,077	229	667
GROSS PROFIT	671	291	133	514
RESEARCH AND DEVELOPMENT EXPENSES	4,843	2,975	2,356	1,408
SALES AND MARKETING EXPENSES	1,024	459	628	225
GENERAL AND ADMINISTRATIVE EXPENSES	3,802	2,585	1,587	1,245
OPERATING LOSS	(8,998)	(5,728)	(4,438)	(2,364)
FINANCING INCOME, NET	658	384	363	182
NET LOSS	(8,340)	(5,344)	(4,075)	(2,182)
Net loss per ordinary share (basic and diluted, USD)	(0.54)	(0.51)	(0.25)	(0.21)
Weighted average ordinary shares (basic and diluted, in thousands)	15,450	10,447	16,316	10,449

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

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ODYSIGHT.AI INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Six Months Ended June 30, 2025 (Unaudited)

	<u>Common Stock</u>		<u>Additional paid-in capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' equity</u>
	<u>Number</u>	<u>Amount</u>			
	<u>In thousands</u>	<u>USD in thousands</u>			
Balance at January 1, 2025	12,613	\$ 13	\$ 64,205	(45,974)	\$ 18,244
Stock based compensation	-	-	1,651	-	1,651
Issuance of shares upon RSU vesting	5	*	(*)	-	-
Issuance of shares, net of issuance cost	3,653	4	20,863	-	20,867
Options exercise	56	*	182	-	182
Net loss	-	-	-	(8,340)	(8,340)
Balance at June 30, 2025	<u>16,327</u>	<u>\$ 17</u>	<u>\$ 86,901</u>	<u>\$ (54,314)</u>	<u>\$ 32,604</u>

Three Months Ended June 30, 2025 (Unaudited)

	<u>Common Stock</u>		<u>Additional paid-in capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' equity</u>
	<u>Number</u>	<u>Amount</u>			
	<u>In thousands</u>	<u>USD in thousands</u>			
Balance as of April 1, 2025	16,308	\$ 17	\$ 85,987	(50,239)	\$ 35,765
Stock based compensation	-	-	845	-	845
Options exercise	19	-	69	-	69
Net loss	-	-	-	(4,075)	(4,075)
Balance as of June 30, 2025	<u>16,327</u>	<u>\$ 17</u>	<u>\$ 86,901</u>	<u>\$ (54,314)</u>	<u>\$ 32,604</u>

* Represents an amount less than \$1 thousand

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

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Six Months Ended June 30, 2024 (Unaudited)

	<u>Common Stock</u>		<u>Additional paid-in capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' equity</u>
	<u>Number</u>	<u>Amount</u>			
	<u>In thousands</u>		<u>USD in thousands</u>		
Balance as of January 1, 2024	10,444	\$ 10	\$ 52,004	\$ (34,207)	\$ 17,807
Stock based compensation	-	-	963	-	963
Issuance of shares upon RSU vesting	14	*	(*)	-	-
Net loss	-	-	-	(5,344)	(5,344)
Balance as of June 30, 2024	<u>10,458</u>	<u>\$ 10</u>	<u>\$ 52,967</u>	<u>\$ (39,551)</u>	<u>\$ 13,426</u>

Three Months Ended June 30, 2024 (Unaudited)

	<u>Common Stock</u>		<u>Additional paid-in capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' equity</u>
	<u>Number</u>	<u>Amount</u>			
	<u>In thousands</u>		<u>USD in thousands</u>		
Balance as of April 1, 2024	10,447	\$ 10	\$ 52,504	\$ (37,369)	\$ 15,145
Stock based compensation	-	-	463	-	463
Issuance of shares upon RSU vesting	11	*	(*)	-	-
Net loss	-	-	-	(2,182)	(2,182)
Balance as of June 30, 2024	<u>10,458</u>	<u>\$ 10</u>	<u>\$ 52,967</u>	<u>\$ (39,551)</u>	<u>\$ 13,426</u>

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

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ODYSIGHT.AI INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	<u>Unaudited</u>			
	<u>USD in thousands</u>			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	(8,340)	(5,344)	(4,075)	(2,182)
Adjustments to reconcile net loss to net cash used in operations:				
Depreciation	58	64	31	31
Stock based compensation	1,651	963	845	463

Interest from operating lease liability	-	(42)	16	(25)
Loss (profit) from exchange differences	(42)	40	(71)	19
Interest income in respect of deposits	12	96	-	228

Changes in operating assets and liability items:

Decrease (increase) in accounts receivable	1,023	614	(295)	(635)
Decrease in inventory	203	65	-	165
Severance pay asset and liability	-	(13)	-	(13)
Decrease in operating lease liability	(242)	(226)	(122)	(112)
Decrease in right-of-use asset	239	227	121	118
Increase in other current and non-current assets	(527)	(225)	(423)	(95)
Increase (decrease) in account payable	126	5	117	(107)
Increase (decrease) in related parties	35	1	(63)	3
Decrease in contract fulfillment assets	1,017	120	-	60
Increase (decrease) in current and non-current contract liabilities	(1,796)	(127)	36	(52)
Increase (decrease) in accrued compensation expenses	122	419	(210)	66
Increase (decrease) in other current and non-current liabilities	58	40	(77)	(25)
Net cash flows used in operating activities	<u>(6,403)</u>	<u>(3,323)</u>	<u>(4,170)</u>	<u>(2,093)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(30)	(30)	(3)	(8)
Withdrawal of short terms deposits	310	8,000	-	8,000
Net cash flows provided by (used in) investing activities	<u>280</u>	<u>7,970</u>	<u>(3)</u>	<u>7,992</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of shares, net of issuance cost	20,874	-	(35)	-
Proceeds from options exercise	182	-	69	-
Net cash flows provided by financing activities	<u>21,056</u>	<u>-</u>	<u>34</u>	<u>-</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	14,933	4,647	(4,139)	5,899
BALANCE OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF THE PERIOD	18,164	8,945	37,207	7,672
EFFECT FROM EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	<u>141</u>	<u>(40)</u>	<u>170</u>	<u>(19)</u>
BALANCE OF CASH AND CASH EQUIVALENTS AND RESTRICTED	<u><u>33,238</u></u>	<u><u>13,552</u></u>	<u><u>33,238</u></u>	<u><u>13,552</u></u>

CASH AT THE END OF THE PERIOD**Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheet:**

Cash and cash equivalents	32,910	13,238	32,910	13,238
Restricted cash	328	314	328	314
Total cash, cash equivalents and restricted cash	33,238	13,552	33,238	13,552

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Non-cash activities -

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	<u>Unaudited</u>			
	<u>USD in thousands</u>			
Right-of-use assets obtained in exchange for operating lease liabilities	78	120	78	33
Termination of right-of-use assets in exchange for cancellation of operating lease obligations	(33)	(55)	(33)	(24)

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

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ODYSIGHT.AI INC.**NOTES TO THE 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.

In February 2025, we closed a public offering generating gross proceeds of approximately \$23.7 million, prior to the deduction of underwriting commissions and estimated offering expenses. After deducting issuance costs, the Company received proceeds of approximately \$20.9 million. For additional information see note 5(a)(4).

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.

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ODYSIGHT.AI INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL (continued):

- b. Since incorporation of Odysight.ai and through June 30, 2025, the Company accumulated a deficit of approximately \$54.3 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 interim condensed 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 to continue its future operations until becoming profitable.
- c. On June 13, 2025, Israel launched "Operation Rising Lion" with a surprise attack on Iran, including precision strikes on weapon and nuclear facilities. In response to Israel's attack, Iran launched retaliatory strikes on Israel, which included significant ballistic missiles and unmanned aerial vehicles fired towards both military and civilian targets in Israel. The attacks resulted in Israeli civilian casualties and property damage.

Consequently, Israel's Home Front Command announced a "special home front situation" and imposed stricter safety guidelines than had previously been in place, such as restricting public gatherings and passenger flights to and from Israel, and the temporary closure of certain businesses, which led to a decrease in market and economic activity in Israel.

As a result of these guidelines, the Company's offices in Israel were closed on certain days during this period. The Company does not expect a substantial impact on its operations from the above-described events.

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 Company’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, deferred taxes, inventory impairment and stock-based compensation, as well as in estimates used in applying the revenue recognition policy. Actual results may differ from those estimates.

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ODYSIGHT.AI INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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 expects 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 currently does not 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 \$8 thousand per month.

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

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

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	Unaudited			
	USD in thousands			
Cash paid for amounts included in the measurement of lease liabilities	296	297	149	146

As of June 30, 2025, the Company's operating leases had a weighted average remaining lease term of 0.60 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 June 30, 2025, are as follows:

	<u>Operating leases</u>
	<u>USD in thousands</u>
Remainder of 2025	301
2026	505
2027	201
2028	3
Total future lease payments	1,010
Less imputed interest	(91)
Total lease liability balance	919

ODYSIGHT.AI INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – OTHER CURRENT LIABILITIES:

Other current liabilities consisted of the following:

	<u>June,</u>	<u>December 31,</u>
	<u>2025</u>	<u>2024</u>

	USD in thousands	
Government authorities	85	79
Accrued expenses	326	261
Other payables	28	28
	<u>439</u>	<u>368</u>

NOTE 5 – EQUITY:

a. Private Placement

- 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.
- 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.
- 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.
- 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 June 30, 2025, the Company had the following outstanding warrants to purchase common stock:

<u>Warrant</u>	<u>Issuance Date</u>	<u>Expiration Date</u>	<u>Exercise Price</u>	<u>Number of Underlying</u>
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			Per Share (\$)	Common Stocks
March 2021 Warrants	March 29, 2021	March 31, 2026	10.35	2,469,156
March 2023 Warrants	March 27, 2023	March 26, 2026	5.50	3,294,117
				5,763,273

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ODYSIGHT.AI INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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:

	Six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, 2025:

	For the Six months ended June 30, 2025	
	Number of Options	Weighted average exercise price (\$)
Outstanding at beginning of period	3,227,234	3.78
Granted	181,000	6.5
Exercised	(58,101)	3.27
Forfeited	(28,336)	4.09
Outstanding at end of period	<u>3,321,797</u>	<u>3.94</u>
Vested at end of period	<u>2,035,607</u>	<u>3.52</u>

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ODYSIGHT.AI INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – EQUITY (continued):

Restricted stock unit (“RSU”) activity

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 six months ended June 30, 2025:

**For the
Six months ended**

	June 30, 2025	
	Number of RSUs	Weighted Average Grant Date Fair Value per Share (\$)
Outstanding at beginning of period	15,419	3.56
Granted	-	-
Forfeited	-	-
Vested	(7,085)	4.21
Unvested and Outstanding at end of period	<u>8,334</u>	<u>3</u>

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:

	Six months ended June 30,		Three months ended June 30,	
	2025	2024	2025	2024
	Unaudited			
	USD in thousands			
Cost of revenues	(3)	17	-	8
Research and development	466	225	219	90
Sales and marketing expenses	202	95	99	45
General and administrative	986	626	527	320
Total expenses	<u>1,651</u>	<u>963</u>	<u>845</u>	<u>463</u>

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ODYSIGHT.AI INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 June 30, 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. During the first quarter of 2025, due to the fact that the Company has not received a purchase order from the Client and does not expect to receive such order, the Company decided to fully derecognize the fulfillment asset and contract liability associated with the Client, in the amount of \$1,690 thousand and \$957 thousand, respectively.
- (2) During the six months ended June 30, 2025, the Company recognized revenues from customization and development services in which the performance obligation is satisfied over time in the amount of \$569 thousand.

b. Contract fulfillment assets and Contract liabilities:

The Company's contract fulfillment assets and contract liabilities as of June 30, 2025, and December 31, 2024, were as follows:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
	<u>USD in thousands</u>	
Contract fulfillment assets	-	1,017
Contract liabilities	279	2,075

Contract liabilities include deferred service and advance payments.

The change in contract fulfillment assets:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
	<u>USD in thousands</u>	
Balance at beginning of the period	1,017	1,256
Contract costs recognized during the period	(1,017)	(239)
Balance at end of the period	-	1,017

The change in contract liabilities:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
	<u>USD in thousands</u>	
Balance at beginning of the period	2,075	2,322
Deferred revenue relating to new sales	178	253
Revenue recognized during the period	(1,974)	(500)
Balance at end of the period	279	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 June 30, 2025, the total RPO amounted to approximately \$14.4 million.

ODYSIGHT.AI INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - INVENTORY:

Composed as follows:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
	<u>USD in thousands</u>	
Raw materials and supplies	-	172
Work in progress	-	19
Finished goods	-	12

For the six months ended June 30, 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 is required 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.

ODYSIGHT.AI INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 six months and three months ended June 30, 2025 and 2024:

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	<u>Unaudited</u>			
	<u>USD in thousands</u>			
Revenues	2,427	1,368	362	1,181

Cost of Sales (*)	1,749	1,038	229	649
Research and Development expenses (*)	4,340	2,722	2,112	1,303
Sales and marketing (*)	820	364	527	180
General and Administrative expenses (*)	2,807	1,945	1,056	919
Other segment items:				
Stock-based payments	1,651	963	845	463
Depreciation	58	64	31	31
Finance income, net	658	384	363	182
Net loss	(8,340)	(5,344)	(4,075)	(2,182)

(*) Excluding stock-based payments and depreciation expenses.

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.

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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 vision-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 June 30, 2025 of approximately \$14.4 million reflects mostly those contracts.

As we have not received a purchase order for 2025 from the Fortune 500 medical company customer and do not expect to receive such order, we decided, during the first quarter of 2025, to fully derecognize the fulfillment asset and contract liability associated with this customer.

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. After deducting issuance costs, we received proceeds of approximately \$20.9 million. 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 addition, following two direct attacks by Iran on Israel in 2024

involving hundreds of drones and missiles, the two countries fought a 12-day war in June 2025 that was triggered by large-scale preemptive Israeli airstrikes on Iranian nuclear and military sites. Iran retaliated with significant ballistic missile and drone attacks on Israel, leading to direct U.S. military intervention against Iranian nuclear sites before a U.S.-brokered ceasefire was declared.

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. Pursuant to instructions from Israel’s Home Front Command, the Company’s offices were closed on certain days during the war with Iran. 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 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 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 clients, including 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 six months ended June 30, 2025 and 2024

The following table summarizes our results of operations for the six months period ended June 30, 2025 and 2024, together with the changes in those items in dollars in thousands and as a percentage:

	Six months ended June 30,		% Change
	2025	2024	
Revenues	2,427	1,368	77%
Cost of Revenues	1,756	1,077	63%
Gross Profit	671	291	131%
Research and development expenses	4,843	2,975	63%
Sales and marketing expense	1,024	459	123%
General and administrative expenses	3,802	2,585	47%
Operating Loss	(8,998)	(5,728)	57%

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 six months ended June 30, 2025, we generated revenues of \$2,427 thousand, an increase of \$1,059 thousand, or 77%, compared to \$1,368 thousand for the six months ended June 30, 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 six months ended June 30, 2025, and to an increase in revenues from our vision-based platform solutions for PdM and CBM. The increase in revenue was partially offset by decrease in the number of units sold and supplied to the Fortune 500 medical company customer due to the absence of a purchase order for 2025, as described in Note 6a(1) to our interim consolidated financial statements for the six months ended June 30, 2025.

Cost of Revenues

Cost of revenue is primarily comprised of cost of personnel, certain allocated expenses related to facilities, logistics and quality control.

Cost of revenues for the six months ended June 30, 2025 was \$1,756 thousand, an increase of \$679 thousand, or 63%, compared to cost of revenues of \$1,077 thousand for the six months ended June 30, 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, to the recognition of an inventory impairment of \$203 thousand, as described in Note 6a(1) to our interim consolidated financial statements for the six months ended June 30, 2025, and to an increase in revenues from our vision-based platform solutions for PdM and CBM. The increase in cost of revenues was partially offset by decrease in the number of units sold and supplied to the Fortune 500 medical company customer due to the absence of a purchase order for 2025, as described in Note 6a(1) to our interim consolidated financial statements for the six months ended June 30, 2025.

Gross Profit

Gross profit for the six months ended June 30, 2025, was \$671 thousand, an increase of \$380 thousand, or 131%, compared to gross profit of \$291 thousand for the six months ended June 30, 2024.

The change in gross profit was due to an increase in revenues, partially offset by 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 six months ended June 30, 2025, were \$4,843 thousand, an increase of \$1,868 thousand, or 63%, compared to \$2,975 thousand for the six months ended June 30, 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 related to the recruitment of new employees, 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 six months ended June 30, 2025, were \$1,024 thousand, an increase of \$565 thousand, or 123%, compared to \$459 thousand for the six months ended June 30, 2024.

The increase in sales and marketing expenses was primarily driven by our 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 and participation in various exhibitions.

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 six months ended June 30, 2025, were \$3,802 thousand, an increase of \$1,217 thousand, or 47%, compared to \$2,585 thousand for the six months ended June 30, 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 employees, including a CFO, and cash compensation bonuses paid to senior executives;
- expenses related to our fund raising and uplisting to Nasdaq; and
- an increase in stock-based compensation from new option grants.

Operating loss

We incurred an operating loss of \$8,998 thousand for the six months ended June 30, 2025, an increase of \$3,270 thousand or 57%, compared to operating loss of \$5,728 thousand for the six months ended June 30, 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.

Cash Flows

Our primary uses of cash used in 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 in thousands):

	Six month ended June 30,	
	2025	2024
Cash used in Operating Activity	(6,403)	(3,323)
Cash provided by Investing Activity	280	7,970
Cash provided by Financing Activity	21,056	-

Operating Activities

During the six months ended June 30, 2025, cash used in operating activities was \$6.4 million, consisting of net loss of \$8.3 million, partially offset by a favorable net change in operating assets and liabilities of \$0.2 million and a non-cash benefit of \$1.7 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 accounts receivable and a decrease in contract fulfillment assets, partially offset by outflows from changes in current and non-current other assets and a decrease in current and non-current contract liabilities.

During the six months ended June 30, 2024, cash used in operating activities was \$3.3 million, consisting of net loss of \$5.3 million, partially offset by a favorable net change in operating assets and liabilities of \$0.9 million and a non-cash benefit of \$1.1 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 outflows from changes in contract liability and other current assets, partially offset by inflows from changes in accounts payables and other accounts payables.

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Investing Activities

During the six months ended June 30, 2025, cash provided by investing activities was \$0.3 million, attributable mainly to a withdrawal, net of short-term deposits.

During the six months ended June 30, 2024, cash provided by investing activities was \$8.0 million, attributable mainly to a withdrawal, net of short-term deposits.

Financing Activities

During the six months ended June 30, 2025, cash provided by financing activities was \$21.1 million, consisting of cash proceeds from issuance of shares, net of issuance costs and proceeds from options exercise.

Comparison of the three months ended June 30, 2025 and 2024

The following table summarizes our results of operations for the three months period ended June 30, 2025, and 2024, together with the changes in those items in dollars in thousands and as a percentage:

	Three months ended June 30,		% Change
	2025	2024	
Revenues	362	1,181	(69)%
Cost of Revenues	229	667	(66)%
Gross Profit	133	514	(74)%
Research and development expenses	2,356	1,408	67%
Sales and marketing expense	628	225	179%
General and administrative expenses	1,587	1,245	27%
Operating Loss	(4,438)	(2,364)	88%

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 June 30, 2025, we generated revenues of \$362 thousand, a decrease of \$819 thousand, or 69%, compared to \$1,181 thousand for the three months ended June 30, 2024.

The decrease in revenues was primarily attributable to the decrease in revenues from the Fortune 500 medical company customer, partially offset by an increase in revenues from our vision-based platform solutions for PdM and CBM.

Cost of Revenues

Cost of revenue is primarily comprised of cost of personnel, certain allocated expenses related to facilities, logistics and quality control.

Cost of revenues for the three months ended June 30, 2025, was \$229 thousand, a decrease of \$438 thousand, or 66%, compared to cost of revenues of \$667 thousand for the three months ended June 30, 2024.

The decrease in cost of revenues was mainly due to decrease in revenues, as described above.

Gross Profit

Gross profit for the three months ended June 30, 2025, was \$133 thousand, a decrease of \$381 thousand, or 74%, as compared to the three months ended June 30, 2024.

The change in gross profit was due to both a decrease in revenues and a decrease 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 June 30, 2025 were \$2,356 thousand, an increase of \$948 thousand, or 67%, compared to \$1,408 thousand for the three months ended June 30, 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 June 30, 2025, were \$628 thousand, an increase of \$403 thousand, or 179%, compared to \$225 thousand for the three months ended June 30, 2024.

The increase in sales and marketing expenses was primarily driven by our 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 and participation in various exhibitions.

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 June 30, 2025, were \$1,587 thousand, an increase of \$342 thousand, or 27% compared to \$1,245 thousand for the three months ended June 30, 2024.

The increase in general and administrative expenses was primarily due to an increase in stock-based compensation from new option grants.

Operating loss

We incurred an operating loss of \$4,438 thousand for the three months ended June 30, 2025, an increase of \$2,074 thousand, or 88%, compared to operating loss of \$2,364 thousand for the three months ended June 30, 2024.

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

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Cash Flows

Our primary uses of cash used in 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 in thousands):

	Three month ended June 30,	
	2025	2024
Cash used in Operating Activity	(4,170)	(2,093)
Cash provided by (used in) Investing Activity	(3)	7,992
Cash provided by Financing Activity	34	-

Operating Activities

During the three months ended June 30, 2025, cash used in operating activities was \$4.2 million, consisting of net loss of \$4.1 million, an unfavorable net change in operating assets and liabilities of \$1.0 million and a non-cash benefit of \$0.9 million. Our non-cash benefit consisted primarily of non-cash charges of \$0.8 million for stock-based compensation. The net change in our operating assets and liabilities primarily reflects cash outflows from changes in accounts receivable, lease liability, current and non-current assets and accrued compensation.

During the three months ended June 30, 2024, cash used in operating activities was \$2.1 million, consisting of net loss of \$2.2 million, an unfavorable net change in operating assets and liabilities of \$0.6 million and a non-cash benefit of \$0.7 million. Our non-cash benefit consisted primarily of non-cash charges of \$0.5 million for stock-based compensation. The net change in our operating assets and liabilities primarily reflects cash outflows from changes in accounts receivable.

Investing Activities

For the three months ended June 30, 2025, net cash flows used in investing activities was \$3 thousand, attributable to a purchase of property and equipment.

For the three months ended June 30, 2024, net cash flows provided by investing activities was \$8 million, attributable mainly to a withdrawal, net on short-term deposits.

Financing Activities

For the three months ended June 30, 2025, net cash flows provided by financing activities was \$34 thousand, consisting of proceeds from options exercise, partially offset by issuance expenses.

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 June 30, 2025 was approximately \$14.4 million compared to approximately \$15.0 million as of December 31, 2024.

Liquidity and Capital Resources

As of June 30, 2025, we had cash and cash equivalents and restricted cash of \$33.2 million compared to cash and cash equivalents and restricted deposit of \$18.5 million as of December 31, 2024. In addition, as of June 30, 2025, we incurred an accumulated deficit of \$54.3 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.

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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 June 30, 2025 were approximately \$1 million. For additional details regarding our lease, see Note 3 to our interim consolidated financial statements for the six months ended June 30, 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 June 30, 2025 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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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.

Except for the additional risk factor provided below, 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.

The U.S. trade tariffs implemented in 2025 may increase the costs of importing our products into the U.S. and increase our supply chain costs which could potentially reduce profit margins and affect our competitive position.

Our current products are manufactured outside the United States, and, as a result, the U.S. trade tariffs implemented by President Donald Trump in 2025 may increase the costs associated with importing our finished products into the U.S. Although we believe that such tariffs will not have a material impact on our business operations, the additional cost on goods imported to the U.S. as a result of the tariffs could directly affect our profit margins when borne by us, or, when borne by our U.S. customers, could effectively lead to a higher purchase price for our customers. Such an increase may drive our customers to seek local alternatives that do not carry the tariff burden, potentially decreasing the demand for our products and affecting our market share. Additionally, the U.S. trade tariffs may increase our supply chain costs, including the cost of components sourced from our suppliers in various countries due to abrupt supply and demand shifts. As a result of the consequences of this tariff policy, we may need to obtain components from other sources or third parties. Furthermore, the uncertainty and volatility introduced by these tariffs complicate decision making, planning and forecasting for our customers as well as for us, making it more difficult to predict future costs and financial outcomes accurately. The potential for further U.S. tariff changes and retaliatory tariffs or other actions by affected countries, and the increased volatility in global financial markets that could result, may exacerbate these challenges, making it difficult for us to predict future costs and financial outcomes accurately. Any of these factors may reduce our profit margins and affect our competitive position.

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

During the three months ended June 30, 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

On August 13, 2025, the Company entered into a revised Director Appointment and Service Agreement with Jackson Schneider. Under the revised agreement, Mr. Schneider’s annual fee for service on the board of directors will increase from \$80,000 to \$120,000, which will be paid on a monthly basis in equal installments, and the Company will recommend that the board of directors grant Mr. Schneider options to purchase a total of 50,000 shares of common stock, at an exercise price per share that will be determined at the sole discretion of the Board and shall be subject to provisions of the applicable equity incentive plan under which the options are granted, and vesting over a period of three years. In addition, the revised agreement provides that Mr. Schneider will receive a one-time commission for initiating or facilitating new commercial agreements between the Company and certain pre-approved third parties (“Eligible Customers”), such as major OEMs. The commission is based on actual net revenue generated from these new agreements (“Qualifying Transactions”) and is structured as follows: 2% commission on net revenue up to \$250 million, 1.5% commission on net revenue between \$250 million and \$400 million, and 1% commission on net revenue

exceeding \$400 million. The list of Eligible Customers is to be mutually agreed upon and updated quarterly in writing. Commissions are paid within 30 days after the Company receives the applicable net revenue, which is defined as actual revenue received and recognized by the Company, less third-party costs, applicable taxes and any conditional payments until such conditions are satisfied. No commission is payable if a Qualifying Transaction is canceled, and any previously paid commission must be refunded. “Qualifying Transactions” are defined as new (not follow-on) commercial agreements for Company products, resulting solely from Mr. Schneider’ efforts.

During the quarter ended June 30, 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).

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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	<u>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)</u>
3.2.1	<u>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)</u>
10.1*	<u>Director Appointment and Service Agreement of Jackson Schneider, dated August 13, 2025</u>
31.1*	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act</u>
31.2*	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act</u>
32.1**	<u>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</u>
32.2**	<u>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</u>
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: August 13, 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 10.1

Odysight.ai Inc.

DIRECTOR APPOINTMENT AND SERVICES AGREEMENT

This Director Appointment and Services Agreement (the “**Agreement**”) is made and entered into as of August 13, 2025 (the “**Effective Date**”) between Odysight.ai Inc. (the “**Company**”), and Jackson Schneider, ID No. *** (the “**Director**”)

This Agreement supersedes and replaces the agreement previously entered into between the Company and the Director, dated December 6, 2023

WHEREAS, the Company desires to retain Director to provide those Services (as defined bellow) to the Company as further specified herein and to serve as a board member on the Company’s Board of Directors (the “**Board**”), and Director is willing to serve in that capacity, on terms set forth more fully below.

NOW THEREFORE, in consideration of the mutual promises contained herein, the parties hereto, agree as follows:

1. SERVICES AND COMPENSATION

1.1. Company hereby retains Director to serve on its Board as a director and Director agrees to serve on the Board.

1.2. Notwithstanding any other obligations pursuant to law or the Articles of Incorporation and By-laws of the Company, as amended and restated from time to time (the “**Articles**”), as a director, you will be expected to participate in substantially all meetings of the Board and carry out all of the customary duties of a director, including without limitation, the participation in conference calls held among the members of the Board and the signing of written consents, where applicable. You may also be invited to serve as a member of one or more committees of the Board. You will be expected to participate in substantially all of the meetings of the

Board in person or via videoconference. All the services referred to in this paragraph are referred to herein as the “**Services**”, and for the avoidance of doubt shall be performed solely by you.

- 1.3. The Director’s service as a director is subject to the absolute authority of the Company’s shareholders to elect, re-elect, replace and/or remove directors from the Board, including, without limitations, the Director.
 - 1.4. Save for any powers granted to the Director as a member of the Board by law and/or the provisions of the Company’s Articles of Association, as amended from time to time, the Director shall not have (and shall not purport to utilize) the right or authority to assume or create any obligations or make any representations or warranties on behalf of Company, whether express or implied, or to bind the Company in any respect whatsoever.
 - 1.5. Consideration. As consideration for the Services provided by the Director hereunder, the Director shall be entitled to an annual fee of USD 120,000, which will be paid to you on a monthly basis in equal installments (the “**Fees**”). The Fees will be paid by the Company to the Director against a proper tax invoice issued by the Director.
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1.6. Grant of Options. Following the execution of this Agreement, and conditional upon the Director’s continuance engagement with the Company, the Company will recommend to the Board to grant the Director options to purchase a total of 50,000 shares of common stock, par value US\$0.001 (the “**Options**”). The grant of the Options as well as the terms and conditions applicable thereto shall be subject to the sole discretion of the Board and shall be subject to the provisions of the applicable equity incentive plan under which the Options will be granted, and the respective option agreement to be entered between the Company and Director (the “**Option Agreement**”). Such recommendation will further provide that the Options shall vest over a period of 3 years with 33.33% of the shares covered by the Options vesting on the first anniversary of your Service as Board member, and 8.33% of the shares covered by the Options at the end of each subsequent three-month period thereafter over the course of the subsequent two years, subject to Director’s continued provision of Services to the Company throughout the respective vesting period, such that upon the termination of the Services for any reason, all then unvested Options shall terminate and all then vested Options may be exercisable only during a specific period thereafter, as determined under the applicable equity incentive plan and the Option Agreement. The grant of Options shall be further conditional upon the receipt of all approvals required under any applicable law including any applicable tax laws and the execution and delivery by the Director of the Option Agreement and all other instruments as required by the Board with respect to such Options. For the avoidance of doubt, it is clarified that any taxes due with respect to the Options and participation in the equity incentive plan shall be borne solely by the Director and that the Company shall be entitled to withhold tax in respect of such Options as it deems required under applicable law.

1.7. Commercial Agreements generation fee – To the extent the Director initiates and/or facilitates the entry by the Company to commercial agreements with OEMs (such as Mercedes and Boeing Global Services) and other third parties, pre-agreed by the Company in writing (the “**Eligible Customers**” and “**Qualifying Transaction**”), the Director will be entitled to receive one-time commission based on actual net revenue generated to the Company by such Qualifying Transactions, as follows: (i) 2% for a net revenue up to an aggregate amount of \$250 million, (ii) 1.5% for net revenue exceeding, in the aggregate, \$250 million up to \$400 million, and (iii) 1% for any net revenue exceeding, in the aggregate, \$400 million. The list of Eligible Customers shall be mutually agreed and updated in writing on a quarterly basis. Commissions shall be paid within 30 days following the Company’s actual receipt of the applicable Net Revenue, against a lawful invoice. Payments will be made in the currency received by the Company.

If a definitive agreement for a Qualifying Transaction is cancelled, no commission shall be due. Any previously paid commission must be refunded in full.

Qualifying Transaction: A new commercial agreement (not a follow-on order) for the sale of Company products, executed between the Company and an Eligible Customer, resulting solely from the Director's services.

Net Revenue: Actual revenue received and recognized by the Company, minus third-party costs, applicable taxes, and any conditional payments until conditions are removed.

- 1.8. Director shall be solely liable for and shall bear any federal, state, or local withholding, or other payroll taxes and/or other mandatory payment and/or consequences relating to performance of the Services under this Agreement arising from the grant and/or exercise of the Options, including as specifically indicated under Section 1.6 and 1.7 above.
 - 1.9. The Company shall reimburse Director for necessary and customary business expenses incurred by Director in connection with the rendering of the Services hereunder, including Flights on behalf of the Company in business class, provided that such expenses have been pre-approved by the Company and against the provision of proper receipts. The Fees, the Options and the reimbursement of expenses shall constitute the total compensation payable by the Company to Director and Director shall not be entitled to any other form of compensation, shares, options, commission, fee, bonus, reimbursement or any other payment or compensation from the Company.
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2. CONFIDENTIALITY

- 2.1. “**Confidential Information**” means any and all Company proprietary information, technical data, trade secrets or know-how, including, but not limited to, research, product plans, products, services, customers, customer lists, markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances or other business information disclosed by the Company either directly or indirectly in writing, orally or by drawings or inspection of parts or equipment.
- 2.2. Director will not, during or subsequent to the term of this Agreement, use the Company's Confidential Information for any purpose whatsoever other than the performance of the Services on behalf of the Company or disclose the Company's Confidential Information to any third party. Director agrees that said Confidential Information shall remain the sole property of the Company. Director further agrees to take all reasonable precautions to prevent any unauthorized disclosure of such Confidential Information. Notwithstanding the above, Director's obligation under this section 2.2 relating to Confidential Information shall not apply to information which: (i) is known to Director at the time of disclosure to Director by the Company as evidenced by written records of Director, (ii) has become publicly known and made generally available through no wrongful act or omission of Director, or (iii) has been rightfully received by Director from a third party not bound by an obligation to keep such information confidential.
- 2.3. Director will not, during the Term (as defined below), use or disclose to the Company or its personnel any proprietary information or trade secrets of any former or current employer of Director or other person or entity with which Director has an agreement or duty to keep in confidence information acquired by Director, if any, and that Director will not bring onto the premises of the Company any unpublished document or proprietary information belonging to such employer, person or entity unless consented to in writing by such employer, person or entity. Director will indemnify the Company and hold it harmless from and against all claims, liabilities, damages and expenses, including reasonable attorney's fees and costs of suit, arising out of or in connection with any violation or claimed violation by the Company or its employees and agents of a third party's rights resulting in whole or in part from the Company's use or disclosure of the work product of Director under this Agreement.

- 2.4. Director recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Director agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out the Services for the Company consistent with the Company's agreement with such third party.
 - 2.5. Upon the termination of this Agreement, or upon Company's earlier request, Director will deliver to the Company all of the Company's property, including all tangible embodiments of Confidential Information that Director may have in Director's possession or control. Director agrees that he will not take any action that could be of harm to the good reputation or established image of the Company.
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3. OWNERSHIP

- 3.1. The Company shall be the sole and exclusive owner of any and all materials, including, without limitation, any and all products, devices, computer programs, techniques, procedures, discoveries, inventions, methodologies, improvements, know-how and original works of authorship, and all materials, texts, drawings, specifications, reports, data, and other recorded information, in preliminary or final form, that result from, or are suggested by Director in connection with, the Services, or that are created, developed, conceived, reduced to practice, discovered, invented or made by Director (whether solely or jointly with others) in connection with the Services. To the extent permitted under applicable law, all the foregoing ("Proprietary Materials"), including any and all Intellectual Property Rights related therein will constitute "works made for hire" by Director for the Company, and the ownership of such Proprietary Materials will vest in the Company at the time they are created. To the extent that the Proprietary Materials are not "works made for hire" under applicable copyright or other laws, Director hereby assigns and transfers to the Company all right, title and interest that I may now or hereafter have in the Proprietary Materials. Director agrees to: (i) promptly disclose to the Company the creation or existence of all Proprietary Materials; and (ii) take such action, during the term of this Agreement and thereafter, as the Company may request, to evidence, transfer, vest or confirm the Company's right, title and interest in and to the Proprietary Materials, provided that the Company shall reimburse Director for all my directly related out-of-pocket expenses evidenced in connection therewith.

For purposes of this Section 3, "Intellectual Property Rights" shall mean all worldwide (a) patents, patent applications and patent rights; (b) rights associated with works of authorship, including copyrights, copyrights applications, copyrights restrictions, mask work rights, mask work applications and mask work registrations; (c) rights relating to the protection of trade secrets and confidential information; (d) rights analogous to those set forth herein and any other proprietary rights relating to intangible property; and (e) divisions, continuation, renewals, reissues and extensions of the foregoing (as applicable) now existing or hereafter filed, issued, or acquired.

- 3.2. Director shall not be entitled, and Director hereby waives now and/or in the future, any claim, to any right, compensation, royalty, and/or reward in connection with said Proprietary Materials.

4. REPRESENTATIONS AND WARRANTIES

Director represents and warrants that:

- 4.1. Director has no outstanding agreement or obligation that is in conflict with any of the provisions of this Agreement, or that would preclude Director from complying with the provisions hereof;
- 4.2. Director will not enter into any such conflicting agreement during the Term of this Agreement;

- 4.3. Director's retention by the Company does not and will not breach any other agreement to keep in confidence proprietary information acquired by Director;
- 4.4. Director has not brought and will not bring or use any equipment, supplies or proprietary information of any other employer which are not generally available to the public, without written authorization for such use; and
- 4.5. Director has the full right and authority to enter into this Agreement and to grant to the Company the Intellectual Property Rights granted herein.

5. TERM AND TERMINATION

- 5.1. This Agreement will commence on the Effective Date and will remain in effect unless terminated by either party in accordance with Section 5.2 below (the "**Term**").
 - 5.2. Without derogating from the Company's shareholders right to terminate the Director's service as a director at the Board with immediate effect, as provided in Section 1.3 above, either party may terminate this Agreement for any reason by giving a thirty (30) days prior written notice to the other party. The Company may terminate this Agreement immediately and without prior notice if Director is in breach of any material provision of this Agreement.
 - 5.3. Upon the termination of this Agreement all rights and duties of the parties toward each other shall cease except that Sections 2 (Confidentiality), 3 (Ownership), 4 (Representations and Warranties), 7 (Independent Contractor), 8 (Non-Competition; Non-Solicitation), 9 (Jurisdiction and Governing Law) and this subsection 5.3 shall survive termination of this Agreement.
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6. ASSIGNMENT

Neither this Agreement nor any right or obligation hereunder or interest herein may be assigned or transferred by Director without the express prior written consent of the Company.

7. INDEPENDENT CONTRACTOR

It is understood that the relationship between you and the Company is that of an independent contractor, serving as a director and thus there shall not be any employer-employee relationship between you and the Company. Any Services which are of a nature sometimes provided by consultants will be provided by you as a director, not as a consultant; and in any event you shall not be entitled to any additional compensation with regard to consulting services, unless such services are agreed upon, in a separate written agreement. In the event that (i) you shall claim the existence of an employer-employee relationship with Company, and/or shall claim monies and/or rights as an employee of Company, and/or (ii) the relationship between you and Company shall be regarded or determined by any governmental authority and/or any third party at any time hereafter as an employer-employee relationship; you shall reimburse and indemnify Company, at Company's first demand, for any sum which shall be demanded of it in connection with such claims and/or determinations, as well as any and all expenses and/or costs incurred by Company relating to any such claims or determinations.

8. NON-COMPETITION; NON-SOLICITATION

- 8.1. In view of Director's access to the Company's trade secrets and proprietary know-how, Director will not, without Company's prior written consent, carry on or engage, whether directly or indirectly, in any capacity whatsoever, whether independently or as an employee, consultant or otherwise, through any corporate body and/or with or through others, in any commercial or business activity which shall be in direct competition

with the activity or business of the Company, during the Term and for a period of one (1) year after the termination of this Agreement.

8.2. Director agrees that during the term of this Agreement and for a period of one (1) year thereafter, he shall not, whether on his own account and/or on behalf of others, in any way knowingly offer, solicit, interfere with and/or endeavor to entice away from Company any person, firm or company with whom Company shall have any contractual and/or commercial relationship as an employee, consultant, licensor, joint venturer, supplier, customer, distributor, agent or contractor of whatsoever nature, existing or under negotiation on or prior to the effective date of termination of this Agreement.

8.3. Director hereby acknowledges that his obligations under this Section 8 are reasonable in light of the Services, the Company's business and the fact that the Fees and the Options to which he is entitled under this Agreement have been calculated to include special consideration for his undertakings in this Section 8.

9. GOVERNING LAW; JURISDICTION

The laws of the State of Nevada shall govern the validity, interpretation, construction and performance of this Agreement, without giving effect to the principles of conflict of laws. All disputes arising under or in connection with this Agreement shall be finally resolved by binding arbitration by a single arbitrator, in accordance with the Rules of Arbitration of the International Chamber of Commerce (the "ICC Rules"). The arbitrator shall be selected in accordance with the ICC Rules in an impartial manner determined by thereby. The arbitrator shall have complete authority to render any and all relief, legal and equitable, appropriate under this Agreement. The arbitrator shall award costs of the proceeding, including reasonable attorney's fees, to the party determined to have substantially prevailed.

10. MODIFICATION

This Agreement may not be altered, amended or modified in any way except by a writing signed by both parties. Waiver of any term or provision of this Agreement or forbearance to enforce any term or provision by either party shall not constitute a waiver as to any subsequent breach or failure of the same term or provision or a waiver of any other term or provision of this Agreement.

11. SEVERABILITY

If one or more provisions of this Agreement are held to be unenforceable under applicable law, then such provision shall be excluded from this Agreement, the balance of the Agreement shall be interpreted as if such provision were so excluded and the balance of the Agreement shall be enforceable in accordance with its terms.

12. NOTICES

All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed facsimile or email if sent during normal business hours of the recipient, if not, then on the next business day; (iii) three (3) days after having been sent by registered or certified airmail, return receipt requested, postage prepaid; or (iv) two (2) days after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be addressed to a person or address as any party shall specify by notice in writing to the other party.

13. ENTIRE AGREEMENT

The parties hereto acknowledge that this Agreement sets forth the entire agreement and understanding of the parties as to the subject matter hereof, and supersedes all prior discussion, agreements and writings in respect hereto.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY:

DIRECTOR:

By: /s/ Yehu Ofer

/s/ Jackson Schneider

Name: Yehu Ofer

Jackson Schneider

Title: CEO

[Signature page to Odysight.ai Inc. – Director Appointment and Services Agreement]

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 June 30, 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 period 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: August 13, 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 June 30, 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 period 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: August 13, 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 June 30, 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: August 13, 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 June 30, 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: August 13, 2025

/s/ Einav Brenner

Einav Brenner
Chief Financial Officer
(Principal Financial Officer)