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

Form 10-Q

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

For the quarterly period ended June 30, 2025

OR

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

For the transition period from to

Commission file number: 1-37897

RESHAPE LIFESCIENCES INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

26-1828101
(IRS Employer
Identification No.)

18 Technology Dr, Suite 110, Irvine, California 92618

(Address of principal executive offices) (zip code)

(949) 429-6680

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Common stock, \$0.001 par value per share	RSLS	The Nasdaq Capital Market

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

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

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☒	Smaller Reporting Company	☒
		Emerging Growth Company	☐

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

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

As of August 8, 2025, 2,693,338 shares of the registrant's Common Stock were outstanding.

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PART I – FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

RESHAPE LIFESCIENCES INC.
Condensed Consolidated Balance Sheets
(in thousands, except share data)
(unaudited)

	June 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,123	\$ 693
Restricted cash	100	100
Accounts and other receivables (net of allowance for doubtful accounts of \$858 and \$918 respectively)	775	987
Notes receivable - Vyome	605	—
Inventory	2,552	2,460
Prepaid expenses and other current assets	707	348
Total current assets	8,862	4,588
Property and equipment, net	30	38
Operating lease right-of-use assets	79	116
Deferred tax asset, net	28	22
Other assets	29	29
Total assets	\$ 9,028	\$ 4,793
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 1,346	\$ 2,208
Accrued and other liabilities	1,586	1,688
Warranty liability, current	163	163
Debt, current portion	—	811
Operating lease liabilities, current	104	115
Total current liabilities	3,199	4,985
Operating lease liabilities, noncurrent	—	41
Common stock warrant liability	—	20
Total liabilities	3,199	5,046
Commitments and contingencies (Note 2 and Note 10)		
Stockholders' equity (deficit):		
Preferred stock, 10,000,000 shares authorized:		
Series C convertible preferred stock, \$0.001 par value; 95,388 shares issued and outstanding at June 30, 2025 and December 31, 2024	—	—
Common stock, \$0.001 par value; 300,000,000 shares authorized at June 30, 2025 and December 31, 2024; 2,623,878 and 29,235 shares issued and outstanding at June 30, 2025 and December 31, 2024, respectively	—	—
Additional paid-in capital	649,798	642,555
Accumulated deficit	(643,860)	(642,704)
Accumulated other comprehensive loss	(109)	(104)
Total stockholders' equity (deficit)	5,829	(253)
Total liabilities and stockholders' equity (deficit)	\$ 9,028	\$ 4,793

See accompanying notes to Condensed Consolidated Financial Statements.

RESHAPE LIFESCIENCES INC.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue	\$ 1,242	\$ 1,965	\$ 2,355	\$ 3,909
Cost of revenue	643	831	1,075	1,610
Gross profit	599	1,134	1,280	2,299
Operating expenses:				
Sales and marketing	583	670	1,112	1,689
General and administrative	1,591	1,906	3,256	3,666
Research and development	476	399	840	883
Transaction costs	711	213	1,043	325
Total operating expenses	3,361	3,188	6,251	6,563
Operating loss	(2,762)	(2,054)	(4,971)	(4,264)
Other (income) expense, net:				
Interest (income) expense, net	(18)	(4)	21	(13)
Loss (gain) on changes in fair value of liability warrants	(1)	2	(3,663)	(18)
Gain on extinguishment of debt	—	(429)	(24)	(429)
(Gain) loss on foreign currency exchange, net	(61)	16	(49)	40
Other income, net	(60)	(59)	(114)	(84)
Loss before income tax provision	(2,622)	(1,580)	(1,142)	(3,760)
Income tax expense	8	15	14	28
Net loss	<u>\$ (2,630)</u>	<u>\$ (1,595)</u>	<u>\$ (1,156)</u>	<u>\$ (3,788)</u>
Net loss per share - basic and diluted:				
Net loss per share - basic and diluted	\$ (2.25)	\$ (91.56)	\$ (1.85)	\$ (225.34)
Shares used to compute basic and diluted net loss per share	1,168,759	17,421	626,228	16,810

See accompanying notes to Condensed Consolidated Financial Statements.

RESHAPE LIFESCIENCES INC.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net loss	\$ (2,630)	\$ (1,595)	\$ (1,156)	\$ (3,788)
Foreign currency translation adjustments	1	7	(5)	(1)
Other comprehensive income (loss), net of tax	1	7	(5)	(1)
Comprehensive loss	<u>\$ (2,629)</u>	<u>\$ (1,588)</u>	<u>\$ (1,161)</u>	<u>\$ (3,789)</u>

See accompanying notes to Condensed Consolidated Financial Statements.

RESHAPE LIFESCIENCES INC.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share data)
(unaudited)

	Three Months Ended June 30, 2025						
	Series C Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount	Shares	Amount			
Balance March 31, 2025	95,388	\$ —	133,081	\$ —	\$ 642,570	\$ (641,230)	(110)
Net loss	—	—	—	—	—	(2,630)	—
Other comprehensive income, net of tax	—	—	—	—	—	—	1
Issuance of common stock pursuant to reverse stock split	—	—	34	—	—	—	—
Stock-based compensation expense, net	—	—	—	—	12	—	—
Issuance of common stock pursuant to “at-the-market” offering (net of offering costs)	—	—	830,918	—	3,743	—	—
Issuance of common stock pursuant to Public Offering (net of offering costs)	—	—	1,054,604	—	2,358	—	—
Issuance of common stock upon cashless exercise of warrants previously classified as liabilities	—	—	605,241	—	1,115	—	—
Balance June 30, 2025	<u>95,388</u>	<u>\$ —</u>	<u>2,623,878</u>	<u>\$ —</u>	<u>\$ 649,798</u>	<u>\$ (643,860)</u>	<u>\$ (109)</u>

	Six Months Ended June 30, 2025						
	Series C Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss
	Shares	Amount	Shares	Amount			
Balance December 31, 2024	95,388	\$ —	29,235	\$ —	\$ 642,555	\$ (642,704)	(104)
Net loss	—	—	—	—	—	(1,156)	—
Other comprehensive loss, net of tax	—	—	—	—	—	—	(5)
Issuance of common stock pursuant to reverse stock split	—	—	34	—	—	—	—
Stock-based compensation expense, net	—	—	—	—	27	—	—
Exercise of pre-funded warrants	—	—	841	—	—	—	—
Issuance of common stock pursuant to “at-the-market” offering (net of offering costs)	—	—	830,918	—	3,743	—	—
Issuance of common stock pursuant to Public Offering (net of offering costs)	—	—	1,054,604	—	2,358	—	—
Issuance of common stock and warrants pursuant to Securities Purchase Agreement (net of offering costs)	—	—	103,005	—	4,758	—	—
Allocation of proceeds to warrant liability	—	—	—	—	(4,758)	—	—
Issuance of common stock upon cashless exercise of warrants previously classified as liabilities	—	—	605,241	—	1,115	—	—
Balance June 30, 2025	<u>95,388</u>	<u>\$ —</u>	<u>2,623,878</u>	<u>\$ —</u>	<u>\$ 649,798</u>	<u>\$ (643,860)</u>	<u>\$ (109)</u>

See accompanying notes to Condensed Consolidated Financial Statements.

RESHAPE LIFESCIENCES INC.
Condensed Consolidated Statements of Stockholders' Equity (Continued)
(in thousands, except share data)
(unaudited)

	Three Months Ended June 30, 2024							
	Series C Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance March 31, 2024	95,388	\$ —	16,202	\$ —	\$ 642,397	\$ (637,767)	(96)	\$ 4,534
Net loss	—	—	—	—	—	(1,595)	—	(1,595)
Other comprehensive income, net of tax	—	—	—	—	—	—	7	7
Stock-based compensation expense, net	—	—	—	—	65	—	—	65
Issuance of stock from RSUs	—	—	3	—	—	—	—	—
Institutional exercise of warrants	—	—	4,091	—	24	—	—	24
Balance June 30, 2024	<u>95,388</u>	<u>\$ —</u>	<u>20,296</u>	<u>\$ —</u>	<u>\$ 642,486</u>	<u>\$ (639,362)</u>	<u>\$ (89)</u>	<u>\$ 3,035</u>

	Six Months Ended June 30, 2024							
	Series C Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance December 31, 2023	95,388	\$ —	16,199	\$ —	\$ 642,325	\$ (635,574)	\$ (88)	\$ 6,663
Net loss	—	—	—	—	—	(3,788)	—	(3,788)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(1)	(1)
Stock-based compensation expense, net	—	—	—	—	137	—	—	137
Issuance of stock from RSUs	—	—	6	—	—	—	—	—
Institutional exercise of warrants	—	—	4,091	—	24	—	—	24
Balance June 30, 2024	<u>95,388</u>	<u>\$ —</u>	<u>20,296</u>	<u>\$ —</u>	<u>\$ 642,486</u>	<u>\$ (639,362)</u>	<u>\$ (89)</u>	<u>\$ 3,035</u>

See accompanying notes to Condensed Consolidated Financial Statements.

RESHAPE LIFESCIENCES INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (1,156)	\$ (3,788)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	8	12
Gain on extinguishment of debt	(24)	(429)
Stock-based compensation	27	137
Bad debt recovery	(67)	(169)
Provision for inventory excess and obsolescence	—	111
Deferred income tax	(6)	1
Gain on changes in fair value of liability warrants	(3,663)	(18)
Other noncash items	(14)	2
Change in operating assets and liabilities:		
Accounts and other receivables	(328)	447
Inventory	(92)	384
Prepaid expenses and other current assets	(359)	31
Accounts payable and accrued liabilities	(939)	(150)
Net cash used in operating activities	(6,613)	(3,429)
Cash used in investing activities:	—	—
Cash flows from financing activities:		
Proceeds from sale and issuance of securities, net	10,859	—
Repayment of convertible notes payable	(811)	—
Proceeds from warrants exercised	—	24
Net cash provided by financing activities	10,048	24
Effect of currency exchange rate changes on cash and cash equivalents	(5)	(1)
Net change in cash, cash equivalents and restricted cash	3,430	(3,406)
Cash, cash equivalents and restricted cash at beginning of year	793	4,559
Cash, cash equivalents and restricted cash at end of period	\$ 4,223	\$ 1,153
Supplemental disclosure:		
Cash paid for income taxes	\$ 154	\$ 12
Noncash investing and financing activities:		
Allocation of proceeds to warrant liability at issuance (non-cash)	\$ 4,758	\$ —
Cashless exercise of warrants previously classified as liabilities (non-cash)	\$ (1,115)	\$ —

See accompanying notes to Condensed Consolidated Financial Statements.

ReShape Lifesciences Inc.
Notes to Condensed Consolidated Financial Statements

(1) Basis of Presentation

The accompanying interim condensed consolidated financial statements and related disclosures of Reshape Lifesciences Inc. (the “Company” or “ReShape”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024, filed on April 4, 2025. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) have been condensed or omitted.

In the opinion of management, the interim consolidated condensed financial statements reflect all adjustments considered necessary for a fair statement of the interim periods. All such adjustments are of a normal, recurring nature. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

Reverse Stock Split

On May 9, 2025, at the commencement of trading, the Company effected a 1-for-25 reverse stock split. Accordingly, all share and per share amounts for the periods presented in the accompanying condensed consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect the reverse stock split.

On September 23, 2024, at the commencement of trading, the Company effected a 1-for-58 reverse stock split. Accordingly, all share and per share amounts for the periods presented in the accompanying condensed consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect the reverse stock split. No fractional shares were issued in connection with the reverse stock split.

Pending Merger and Asset Sale

On July 8, 2024, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Vyome Therapeutics, Inc. (“Vyome”), and Raider Lifesciences Inc., a Delaware corporation, and a direct, wholly owned subsidiary of ReShape (“Merger Sub”). Pursuant to the Merger Agreement, and subject to the satisfaction or waiver of the conditions specified therein, including Nasdaq’s approval of a new listing application for the combined company, Merger Sub shall be merged with and into Vyome, with Vyome surviving as a subsidiary of ReShape (the “Merger”). The combined company intends to change its name to Vyome Holdings, Inc. (the “Combined Company”) and will focus on Vyome’s business of advancing the development of its immuno-inflammatory assets and on identifying additional opportunities between the world-class Indian innovation corridor and the U.S. market

Simultaneously with the execution of the Merger Agreement, we entered into an Asset Purchase Agreement, which was amended on April 25, 2025 (the “Asset Purchase Agreement”), with Ninjour Health International Limited, a company incorporated under the laws of the United Kingdom, which is an affiliate of Biorad Medisys Pvt. Ltd. (together, “Biorad”). Pursuant to the Asset Purchase Agreement, and subject to the satisfaction or waiver of the conditions specified therein, we will sell substantially all of our assets (excluding cash) to Biorad, and Biorad will assume substantially all of our liabilities, for a purchase price of \$2.25 million in cash, subject to adjustment based on our actual accounts receivable and accounts payable at the closing compared to such amounts as of March 31, 2024 (the “Asset Sale”). Biorad is party to a previously disclosed exclusive license agreement, dated September 19, 2023, with us for ReShape’s Obalon® Gastric Balloon System.

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On October 1, 2024, we filed a Registration Statement on Form S-4 in connection with the Merger and Asset Sale, which we anticipate will close in the third quarter of 2025, assuming the conditions to closing are satisfied. On December 6, 2024, we filed an Amendment No. 1 to that Registration Statement on Form S-4, on January 15, 2025 we filed an Amendment No. 2, on April 29, 2025 we filed an Amendment No. 3, on May 9, 2025 we filed an Amendment No. 4, and on May 14, 2025 we filed an Amendment No. 5 to that Registration Statement on Form S-4, which was declared effective on May 14, 2025. On June 17, 2025, we filed a Post-Effective Amendment No. 1 to that Registration Statement on Form S-4, which was declared effective on June 20, 2025, and on June 24, 2025, we filed a proxy/information statement-prospectus. All proposals listed in the proxy/information statement-prospectus were approved by our stockholders at a special meeting held on July 24, 2025 and partially adjourned to August 7, 2025, as described in *Note 12 - Subsequent Events*.

We entered into an equity purchase agreement, dated December 19, 2024, with a certain institutional investor and a secured convertible note transaction in order to fund our operations through the closing of the Merger and Asset Sale. The description of our business set forth above reflects our current business operations, but if the Merger and Asset Sale are completed, we will sell substantially all of our assets to Ninjour Health International Limited (or an affiliate thereof) and the Combined Company following the Merger intends to focus on Vyome's business. However, the completion of the Merger and Asset Sale both remain subject to a number of conditions to closing, and there can be no assurance that the Merger and Asset Sale will be consummated. Failure to complete the Merger and Asset Sale could negatively impact our future operations, financial results and stock price.

We incurred transaction costs related to legal and audit fees associated with the pending Merger and Asset Sale of \$0.7 million and \$0.2 million during the three months ended June 30, 2025 and 2024, respectively, and \$1.0 million and \$0.3 million during the six months ended June 30, 2025 and 2024, respectively.

Summary of Significant Accounting Policies

The Company's significant accounting policies are described in Note 2 to its audited consolidated financial statements for the year ended December 31, 2024, which are included in the Company's 2024 Annual Report on Form 10-K which was filed with the SEC on April 4, 2025.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may materially differ from these estimates. The Company reviews its estimates on an ongoing basis or as new information becomes available to ensure that these estimates appropriately reflect changes in its business.

Inventory

The Company accounts for inventory at the lower of cost or net realizable value, where net realizable value is based on market prices less costs to sell. The Company establishes inventory reserves for obsolescence based upon specific identification of expired or unusable units with a corresponding provision included in cost of revenue.

Long-Lived Assets

We assess the potential impairment of long-lived assets, principally property and equipment, whenever events or changes in circumstances indicate that the carrying value of the asset group may not be fully recoverable. If an indicator of impairment exists for any of its asset groups, an estimate of undiscounted future cash flows over the life of the primary asset for each asset group is compared to that long-lived asset group's carrying value. If the carrying value of the asset group is greater than the estimated future undiscounted cash flow, the Company then determines the fair value of the assets, and if an asset is determined to be impaired, the impairment loss is measured by the excess of the carrying amount of the asset over its fair value.

Fair Value of Financial Instruments

The carrying amounts of cash equivalents, accounts receivable, accounts payable and certain accrued and other liabilities approximate fair value due to their short-term maturities. Refer to Note 6 regarding fair value measurements and inputs of warrants.

Net Loss Per Share

The following table sets forth the potential shares of common stock that are not included in the calculation of diluted net loss per share because to do so would be anti-dilutive as of the end of each period presented:

	June 30,	
	2025	2024
Stock options	5	6
Unvested restricted stock units	1	1
Convertible preferred stock	10	10
Warrants	3,261	3,289

Recent Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, *Income Statement Reporting Comprehensive Income Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires companies to provide more detailed and organized disclosures of their expenses in their income statements. The standard requires breaking down expenses into specific categories, such as employee compensation and costs related to depreciation and amortization. This update is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, on a prospective basis and early adoption and retrospective application is permitted. The Company is currently evaluating this new guidance and its impact on its Consolidated Financial Statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires entities to provide additional information in the rate reconciliation and additional disaggregated disclosures about income taxes paid. This guidance requires public entities to disclose in their rate reconciliation table additional categories of information about federal, state, and foreign income taxes and to provide more details about the reconciling items in some categories if the items meet a quantitative threshold. The guidance is effective for annual periods beginning after December 15, 2024. The Company does not expect the adoption of this guidance to impact its consolidated financial statements, but the guidance will impact its income tax disclosures.

There are no other recent accounting pronouncements that the Company expects will have a material effect on its prospective condensed consolidated financial statements.

(2) Liquidity and Management's Plans

The Company currently does not generate revenue sufficient to offset operating costs and anticipates such shortfalls to continue, primarily due to the introduction of GLP-1 pharmaceuticals, which has taken a significant market share of the medical treatments for obesity.

As of June 30, 2025, the Company had net a working capital surplus of approximately \$5.7 million. The Company's principal source of liquidity as of June 30, 2025, consisted of approximately \$4.1 million of cash and cash equivalents, and \$1.4 million of accounts receivable. The Company raised \$0.8 million in October 2024 in a convertible debt agreement with an institutional investor, which was repaid in full in February 2025. Additionally, in February 2025, the Company entered into a Security Purchase Agreement to issue and sell 103,005 shares of common stock and warrants to purchase up to 103,005 shares of common stock at an initial price of \$145.75 per share, subject to adjustments. The securities were sold at a price of \$58.25 per unit. The Company received \$4.8 million for this offering after deducting underwriting expenses, commissions and offering expenses. In June 2025, the Company sold 830,918 shares of its common stock pursuant to an equity distribution agreement with Maxim in an "at-the-market" offering. The Company received \$3.8 million for this offering after deducting underwriting expenses, commissions and offering expenses. On June 9, 2025, the Company completed a public offering of 1,054,604 shares of common stock at a public offering price of \$2.50 per share. The Company received \$2.4 million for this offering after deducting underwriting expenses, commissions and offering expenses. Based on the Company's available cash resources, it may not have sufficient cash on hand to fund its current operations for more than 12 months from the date of filing this Form 10-Q. This condition raises substantial doubt about its ability to continue as a going concern.

The Company's anticipated operations include plans to (i) merge with Vyome and sell certain assets to Biorad, which will continue the operations, (ii) grow sales and operations of the Company with the Lap-Band product line both domestically and internationally as well as to obtain cost savings synergies, (iii) introduce to the market Lap-Band 2.0 FLEX, (iv) continue development of the Diabetes Bloc-Stim Neuromodulation ("DBSN") device, and (v) prior to such merger and sale, explore and capitalize on synergistic opportunities to expand our portfolio and offer future minimally invasive treatments and therapies in the obesity continuum of care. The Company believes that it has the flexibility to manage the growth of its expenditures and operations depending on the amount of available cash flows, which could include reducing expenditures for marketing and product development activities. Refer to *Note 12 - Subsequent Events* for additional details on our recent transactions with Vyome.

The Company has incurred significant net losses and negative cash flows from operations since inception, and as a result has an accumulated deficit of approximately \$643.9 million. The Company also expects to incur a net loss and negative cash flows from operations for 2025.

The Company will be required to raise additional capital, however, there can be no assurance as to whether additional financing will be available on terms acceptable to the Company, if at all. If sufficient funds on acceptable terms are not available when needed, it would have a negative impact on the Company's financial condition and could force the Company to delay, limit, reduce, or terminate product development or future commercialization efforts or grant rights to develop and market product candidates or testing products that the Company would otherwise plan to develop.

Therefore, the plans cannot be deemed probable of being implemented. As a result, the Company's plans do not alleviate substantial doubt about our ability to continue as a going concern.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

(3) Supplemental Balance Sheet Information

Components of selected captions in the condensed consolidated balance sheets consisted of the following:

Inventory:

	June 30, 2025	December 31, 2024
Raw materials	\$ 771	\$ 753
Sub-assemblies	911	1,024
Finished goods	870	683
Total inventory	<u>\$ 2,552</u>	<u>\$ 2,460</u>

Prepaid expenses and other current assets:

	June 30, 2025	December 31, 2024
Prepaid insurance	\$ 5	\$ 281
Patents	38	14
Prepaid advertising and marketing	73	12
Taxes	30	41
Prepaid professional fees	59	—
Prepaid inventory	367	—
Other current assets	135	—
Total prepaid expenses and other current assets	<u>\$ 707</u>	<u>\$ 348</u>

Accrued and other liabilities:

	June 30, 2025	December 31, 2024
Payroll and benefits	\$ 570	\$ 694
Customer deposits	854	720
Taxes	(5)	30
Accrued professional	113	200
Other liabilities	54	44
Total accrued and other liabilities	<u>\$ 1,586</u>	<u>\$ 1,688</u>

(4) Leases

On March 13, 2023, the Company entered into a lease for approximately 5,038 square feet of office and warehouse space at 18 Technology Drive, Suite 110, Irvine, California 92618 and relocated its principal executive offices from our former San Clemente, California location to the Irvine, California location. The Irvine lease has a term of 36 months, commencing on May 1, 2023.

The Company does not have any short-term leases or financing lease arrangements. Lease and non-lease components are accounted for separately.

Operating lease costs were \$0.1 million for both the three months ended June 30, 2025 and 2024, and \$0.1 million and \$0.1 million for the six months ended June 30, 2025 and 2024, respectively. Variable lease costs were not material.

Supplemental information related to operating leases is as follows:

	June 30, 2025	December 31, 2024
Balance Sheet information		
Operating lease ROU assets	\$ 79	\$ 116
Operating lease liabilities, current portion	\$ 104	\$ 115
Operating lease liabilities, long-term portion	—	41
Total operating lease liabilities	<u>\$ 104</u>	<u>\$ 156</u>
Cash flow information for the six months ended June 30,	2025	2024
Cash paid for amounts included in the measurement of operating leases liabilities	\$ 57	\$ 54
Maturities of operating lease liabilities were as follows as of June 30, 2025:		
2025	\$ 59	
2026		59
Total lease payments		118
Less: imputed interest		(14)
Total lease liabilities	<u>\$ 104</u>	
Weighted-average remaining lease term at end of period (in years)		0.9
Weighted-average discount rate at end of period		6.9 %

(5) Equity

Common Stock Issued Related to Stock Awards and Options

Restricted Stock Units

No awards were issued during the three and six months ended June 30, 2025.

During the three months ended June 30, 2024, the Company issued 3 shares of common stock, subject to vesting of the restricted stock units. During the six months ended June 30, 2024, the Company issued 6 shares of common stock, subject to vesting of restricted stock units. For further details see Note 9.

Exercise of Stock Options

There were no exercises of stock options during the three and six months ended June 30, 2025 and 2024.

May 2024 Exercise of Warrants for Common Stock

On May 30, 2024, an accredited investor exercised outstanding warrants, of which 73 shares of common stock were issued in accordance with the terms of the warrant agreement. The Company received approximately \$24 thousand of cash.

June 2024 Exercise of Warrants for Common Stock

On June 4, 2024, the Company issued 4,018 shares of common stock in exchange for 7,425 common stock purchase warrants. These warrants were exercised using the cashless mechanism within the warrant agreement.

February 2025 Public Offering of Common Stock and Warrants

On February 15, 2025, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain investors (the “Investors”) pursuant to which the Company agreed to issue and sell to the Investors (i) 103,005 shares of the Company’s common stock and (ii) warrants to purchase up to 103,005 shares of common stock at an initial exercise price of \$145.75 per share (the “Warrants”), subject to adjustment as set forth in the Warrants. The securities were sold as units at a price of \$58.25 per unit. The offering closed on February 18, 2025. Following the required stockholder approval, which the Company obtained on April 1, 2025, all of the holders of Warrants elected a “zero exercise price” alternative pursuant to which they received an aggregate number of shares equal to the product of (x) the aggregate number of shares of common stock that would be issuable upon a cash exercise of the Warrant and (y) 1.2, without the holder having to make any exercise payment. The exercise price of the Warrants was reset to the floor price of \$31.25 per share, which resulted in the issuance of 576,416 shares of common stock for the Warrants issued to the Investors in the offering. Between April 2, 2025 and April 4, 2025, a total of 576,416 shares were issued upon the cashless exercise of the Warrants. Refer to *Note 6 – Warrants* regarding fair value measurements, inputs, and additional details of the Warrants.

The net proceeds from the offering were approximately \$4.8 million, after deducting the placement agent fees and offering expenses. The Company intends to use the net proceeds from the offering for general corporate purposes, including expenses related to the Company’s previously announced proposed Merger with Vyome and the Asset Sale, provided that the Company must use up to 50% of the net proceeds from the offering to prepay the amount it owes to Ascent Partners under the Company’s previously announced secured convertible note transaction.

On February 15, 2025, the Company also entered into a Placement Agency Agreement (the “Placement Agency Agreement”), with Maxim Group LLC (“Maxim” or the “Placement Agent”) for Maxim to act as the Company’s exclusive placement agent in connection with the offering. Pursuant to the terms of the Placement Agency Agreement, Maxim received a cash fee equal to up to 7.0% of the gross proceeds received by the Company from the sale of the securities in offering, as well as reimbursement for certain expenses, and warrants to purchase up to 5,150 shares of common stock, which is equal to 5.0% of the aggregate amount of shares of common stock issued in the offering, at an exercise price of \$145.75 per share (the “Placement Agent Warrant”). The Placement Agent Warrant has the same exercise price and substantially the same terms as the Warrants issued in such offering. Following the required stockholder approval, which the Company obtained on April 1, 2025, the Placement Agent elected a “zero exercise price” alternative pursuant to which they received an aggregate number of shares equal to the product of (x) the aggregate number of shares of common stock that would be issuable upon a cash exercise of the warrant and (y) 1.2, without the holder having to make any exercise payment. The exercise price of the Placement Agent Warrant was reset to the floor price of \$31.25 per share, which resulted in the issuance of 28,825 shares of common stock for the warrants issued to the Placement Agent. On April 2, 2025 a total of 28,825 shares were issued upon the cashless exercise of the Placement Agent Warrant.

June 2025 Public Offerings of Common Stock

On May 30, 2025, the Company entered into an Equity Distribution Agreement (the “Sales Agreement”) with Maxim to act as the Company’s exclusive sales agent with respect to the issuance and sale of up to \$9.7 million of the Company’s shares of common stock (the “Shares”), from time to time in an at-the-market public offering (the “ATM Offering”).

In June 2025, the Company sold 830,918 Shares under the ATM Offering. The net proceeds from the offering were approximately \$3.8 million, after deducting the placement agent fees and offering expenses.

On June 8, 2025, the Company entered into a Placement Agency Agreement with Maxim pursuant to which the Company agreed to issue and sell to certain investors 1,054,604 shares of the Company’s common stock at a price of \$2.50 per share. The offering closed on June 9, 2025. On June 9, 2025, the Company announced the pricing of its public offering of 1,054,604 shares of common stock at a public offering price of \$2.50 per share (the “Public Offering”). The net proceeds from the Public Offering were approximately \$2.4 million, after deducting the placement agent fees and offering expenses. The Company intends to use the net proceeds from the Public Offering for general corporate purposes, including expenses related to the Company’s proposed Merger with Vyome and the Asset Sale.

The Company’s exclusive placement agent in connection with the offering, Maxim, received a cash fee equal to up to 7.0% of the gross proceeds received by the Company from the sale of the common stock in the Public Offering, as well as reimbursement for certain expenses.

(6) Warrants

The Company’s grants of warrants to purchase common stock are primarily in connection with equity financing. See Note 5 for additional information about equity financings and the related issuance of warrants. Warrant activity for the six months ended June 30, 2025 is as follows:

	Shares
Balance December 31, 2024	3,261
Issued	108,156
Exercised	(108,156)
Cancelled	—
Balance June 30, 2025	<u><u>3,261</u></u>

The Company classifies these warrants as a liability, and the Company utilized a bifurcated Black-Scholes option pricing model to consider the cash exercise option and cashless exercise option. The bifurcated Black-Scholes option pricing model used an exercise price where the two exercise methods would be indifferent with market inputs of the stock price on the issuance, risk free interest rate, expected share price volatility and dividend yield. The Company calculates the fair value of the warrants at each reporting period and when a warrant is exercised, with the changes in fair value recognized in the statement of operations.

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Below is a summary of the initial inputs used in the bifurcated Black-Scholes option pricing model.

	Cash Exercise	Cashless Exercise
Stock Price	\$ 9.00	\$ 9.00
Exercise Price	\$ 232.00	\$ 0.00
Term (years)	3.00	3.00
Volatility	118.9%	118.9%
Risk Free Rate	3.853%	3.853%
Dividend Yield	0%	0%

The following table presents the changes in the fair value of warrant liabilities:

	Common Stock Purchase Warrants
Fair value as of February 8, 2023 (issuance date)	\$ 20
Additions: Fair value as of February 18, 2025 (issuance date)	4,758
Reclassification to equity upon cashless exercise	(1,115)
Changes in fair value of liability warrants	(3,663)
Fair value as of June 30, 2025	\$ —

(7) Revenue Disaggregation and Operating Segments

The following table presents the Company's revenue disaggregated by geography:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
United States	\$ 1,092	\$ 1,663	\$ 2,023	\$ 3,281
Australia	68	103	146	205
Europe	81	198	179	396
Rest of world	1	1	7	27
Total revenue	\$ 1,242	\$ 1,965	\$ 2,355	\$ 3,909

(8) Income Taxes

During the three months ended June 30, 2025 and 2024, the Company recorded income tax expense of \$8 thousand and \$15 thousand, respectively. During the six months ended June 30, 2025 and 2024, the Company recorded income tax expense of \$14 thousand and \$28 thousand, respectively. The income tax expense is related to minimum state taxes and projected Australian and Netherlands income, respectively. The income tax provisions for the three and six months ended June 30, 2025 were calculated using the discrete year-to-date method. The effective tax rate differs from the statutory tax rate of 21% primarily due to the existence of valuation allowances against net deferred tax assets and current liabilities resulting from the estimated state income tax liabilities and foreign tax liabilities.

In assessing the realization of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Based on the level of historical losses, projections of losses in future periods and potential limitations pursuant to changes in ownership under Internal Revenue Code Section 382, the Company provided a full valuation allowance at both June 30, 2025 and December 31, 2024.

(9) Stock-based Compensation

Stock-based compensation expense related to stock options and restricted stock units (“RSUs”) issued under the ReShape Lifesciences Inc. 2022 Stock Incentive Plan (the “Plan”) for the three and six months ended June 30, 2025 and 2024 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Sales and marketing	\$ 5	\$ 4	\$ 9	\$ 15
General and administrative	1	26	3	51
Research and development	6	35	15	71
Total stock-based compensation expense	<u>\$ 12</u>	<u>\$ 65</u>	<u>\$ 27</u>	<u>\$ 137</u>

Stock Options

A summary of the status of the Company’s stock options as of June 30, 2025, and changes during the six months ended June 30, 2025, are as follows:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2024	5	\$ 826,326		\$ —
Options granted	—	—		
Options exercised	—	—		
Options cancelled	—	—		
Outstanding at June 30, 2025	<u>5</u>	<u>\$ 820,860</u>	<u>5.2</u>	<u>\$ —</u>
Exercisable at June 30, 2025	<u>5</u>	<u>\$ 836,592</u>	<u>5.2</u>	<u>\$ —</u>
Vested and expected to vest at June 30, 2025	<u>5</u>	<u>\$ 820,860</u>	<u>5.2</u>	<u>\$ —</u>

As of June 30, 2025, stock options under the Plan that were outstanding, exercisable and vested, and expected to vest, had no intrinsic value. The unrecognized share-based expense at June 30, 2025 was \$22 thousand and will be recognized over a weighted average period of 0.44 years.

Stock option awards outstanding under the Company’s incentive plans have been granted at exercise prices that are equal to the market value of its common stock on the date of grant. Such options generally vest over a period of four years and expire at ten years after the grant date. The Company recognized compensation expense ratably over the vesting period. The Company uses a Black-Scholes option-pricing model to estimate the fair value of stock options granted, which requires the input of both subjective and objective assumptions as follows:

Expected Term – The estimate of expected term is based on the historical exercise behavior of grantees, as well as the contractual life of the options granted.

Expected Volatility – The expected volatility factor is based on the volatility of the Company’s common stock for a period equal to the term of the stock options.

Risk-free Interest Rate – The risk-free interest rate is determined using the implied yield for a traded zero-coupon U.S. Treasury bond with a term equal to the expected term of the stock options.

Expected Dividend Yield – The expected dividend yield is based on the Company’s historical practice of paying dividends on its common stock.

Restricted Stock Units

A summary of the Company's unvested RSUs award activity for the six months ended June 30, 2025, is as follows:

	Shares	Weighted Average Grant Date Fair Value
Non-vested RSUs at December 31, 2024	1	\$ 96,179
Granted	—	—
Vested	—	—
Cancelled/Forfeited	—	—
Non-vested RSUs at June 30, 2025	<u>1</u>	<u>\$ 99,528</u>

The fair value of each RSU is the closing stock price on the Nasdaq of the Company's common stock on the date of grant. Upon vesting, a portion of the RSU award may be withheld to satisfy the statutory income tax withholding obligation. The remaining RSUs will be settled in shares of the Company's common stock after the vesting period. There was no unrecognized compensation cost related to the RSUs at June 30, 2025.

(10) Commitment and Contingencies

Litigation

On December 2, 2024, the Company received notice, dated November 22, 2024, from Rosenberg Law indicating that the Company was the subject of an application to be added as a defendant in a proposed class action lawsuit in Canada, captioned *Raymond Edson Marshall v. Allergan Inc.*, Court File No. VLC-S-S-151970, filed in the Supreme Court of British Columbia. The plaintiff alleges that the Lap-Band gastric banding device, originally developed and marketed by Allergan Inc. and later acquired by the Company in December 2018, causes an unacceptably high rate of complications, including pain, device failure, the need for corrective surgeries, and permanent injuries. The proposed class includes Canadian individuals who were implanted with the Lap-Band and experienced similar harms.

The plaintiff asserts that the Company, as the current owner and manufacturer of the Lap-Band device, failed to adequately warn of its risks and complications and continued to market and distribute the product in a manner that allegedly misrepresented its safety and effectiveness. Relief sought from the Company includes general and special damages for personal injuries, aggravated and punitive damages, statutory damages under the *Business Practices and Consumer Protection Act*, recovery of public healthcare costs under the *Health Care Costs Recovery Act*, and injunctive and declaratory relief.

On January 10, 2025, the Vancouver Supreme Court held a hearing on the plaintiff's application to file a Further Amended Notice of Civil Claim to add, among others, the Company as a defendant. The Court granted the plaintiff leave to amend the claim accordingly. As of the date of this report, the terms of the order have not yet been entered with the court registry and the Company has not been formally served.

Based on the Company's review of the amended pleading and the facts and circumstances available to date, no legal liability is determined to be probable or reasonably estimable. Accordingly, there are no implications on the Company's condensed consolidated financial statements for the three and six months ended June 30, 2025.

The Company is not aware of any pending or threatened litigation against it that could have a material adverse effect on the Company's business, operating results or financial condition, other than what was disclosed above. The medical device industry in which the Company operates is characterized by frequent claims and litigation, including claims regarding patent and other intellectual property rights as well as improper hiring practices. As a result, the Company may be involved in various legal proceedings from time to time.

Product Liability Claims

The Company is exposed to product liability claims that are inherent in the testing, production, marketing, and sale of medical devices. Management believes any losses that may occur from these matters are adequately covered by insurance, and the ultimate outcome of these matters will not have a material effect on the Company's financial position or results of operations. The Company is not currently a party to any product liability litigation and is not aware of any pending or threatened product liability litigation that is reasonably possible to have a material adverse effect on the Company's business, operating results or financial condition.

(11) Segment Reporting

The Company adopted ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, during the year ended December 31, 2024 retrospectively to all periods presented in the consolidated financial statements. The Company has one reportable segment managed on a consolidated basis by the Chief Executive Officer (CEO) who is the chief operating decision maker ("CODM"). In identifying *one* reportable segment, the Company considered the basis of organization for the design and development of products and services that manage and treat obesity and metabolic disease.

The accounting policies of the segment are the same as those described in the summary of significant accounting policies. The CODM assesses performance and decides how to allocate resources based on consolidated net loss as reported in the consolidated statements of operations and comprehensive loss. There are no other expense categories regularly provided to the CODM that are not already included in the consolidated statements of operations and comprehensive loss. The measure of segment assets is reported on the balance sheet as cash, cash equivalents and money market accounts.

Summary of segment net loss, including significant segment expenses were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue	\$ 1,242	\$ 1,965	\$ 2,355	\$ 3,909
Less:				
Cost of revenue	643	831	1,075	1,610
Sales and marketing	583	670	1,112	1,689
General and administrative	1,591	1,906	3,256	3,666
Research and development	476	399	840	883
Transaction costs	711	213	1,043	325
Other income, net	(140)	(474)	(3,829)	(504)
Income tax expense	8	15	14	28
Net loss	<u>\$ (2,630)</u>	<u>\$ (1,595)</u>	<u>\$ (1,156)</u>	<u>\$ (3,788)</u>

(12) Subsequent Events

Special Meeting

At a special meeting of stockholders held on July 24, 2025 and partially adjourned to August 7, 2025, stockholders approved (i) the issuance of shares of common stock in connection with the Merger; (ii) the Asset Sale; (iii) amendments to Article VI of the Company's Restated Certificate of Incorporation, as amended; (iv) authorization of the board of directors to amend the Company's Restated Certificate of Incorporation, as amended, to effect a reverse stock split of the common stock in a range of 1-for-2 to 1-for-5; (v) on a non-binding advisory basis, the compensation that may be paid to the Company's President and Chief Executive Officer in connection with the Merger and Asset Sale; and (vi) adjournments of such meeting from time to time, if necessary or appropriate to solicit additional proxies in favor of the proposals described in (i) through (iv).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q. Except for the historical information contained herein, the matters discussed in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that involve risks and uncertainties. In some cases, these statements may be identified by terminology such as "may," "will," "should," "expects," "could," "intends," "might," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of such terms and other comparable terminology. These statements involve known and unknown risks and uncertainties that may cause our results, level of activity, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Factors that may cause or contribute to such differences include, among others, those discussed in the "Risk Factors" section included in Item 1A of our most recent Annual Report on Form 10-K. Except as may be required by law, we undertake no obligation to update any forward-looking statement to reflect events after the date of this report.

Overview

We are a premier physician-led weight-loss solutions company, offering an integrated portfolio of proven products and services that manage and treat obesity and associated metabolic disease. Our primary operations are in the following geographical areas: United States, Australia and certain European and Middle Eastern countries. Our current portfolio includes the Lap-Band Adjustable Gastric Banding System, the Obalon Balloon System, and the Diabetes Bloc-Stim Neuromodulation device, a technology under development as a new treatment for type 2 diabetes mellitus. There has been no revenue recorded for the Obalon Balloon System, or the Diabetes Bloc-Stim Neuromodulation as these products are still in the development stage.

Recent Developments

On April 15, 2025, we entered into a promissory note with Vyome Therapeutics, Inc. ("Vyome") pursuant to which we agreed to loan up to \$400,000 to Vyome in three tranches through no later than May 15, 2025. Vyome will use the proceeds for working capital purposes as well as legal, accounting and other expenses related to the transactions contemplated by the Agreement and Plan of Merger, dated July 8, 2024, between the parties (the "Merger Agreement"). The outstanding principal balance under the promissory note will bear interest at the rate of 8.0% per annum. If the Merger Agreement is terminated by ReShape under Section 8.01(b)(iv) thereof (because the Concurrent Financing Agreement (as defined in the Merger Agreement) is not in full force and effect such that the Concurrent Financing shall not be consummated immediately following the effective time of the merger without the further satisfaction of any conditions) then the promissory note will become senior in right of payment to all other debt of Vyome and will become a secured obligation of Vyome. The aggregate unpaid principal amount under the promissory note and all accrued unpaid interest will be due and payable on September 30, 2025. If the merger is completed prior to September 30, 2025, then Vyome will not be required to repay the amounts outstanding under the promissory note, but the aggregate amount of unpaid principal and interest will then be counted as ReShape net cash under the Merger Agreement. In connection with the promissory note, Vyome also agreed to extend the date after which either party could terminate the Merger Agreement from March 31, 2025 to June 30, 2025. As of June 30, 2025, we had funded \$400,000 under the promissory note.

On May 30, 2025, we entered into an Equity Distribution Agreement (the "Sales Agreement") with Maxim Group LLC ("Maxim") to act as our exclusive sales agent with respect to the issuance and sale of up to \$9.7 million of our shares of common stock (the "Shares"), from time to time in an at-the-market public offering (the "ATM Offering").

In June 2025, we sold 830,918 Shares under the ATM Offering. The net proceeds from the offering were approximately \$3.8 million, after deducting the placement agent fees and offering expenses.

On June 8, 2025, we entered into a Placement Agency Agreement with Maxim (the "Placement Agency Agreement") pursuant to which we agreed to issue and sell to certain investors 1,054,604 shares of our common stock at a price of \$2.50 per share. The offering closed on June 9, 2025. On June 9, 2025, we announced the pricing of our public offering of 1,054,604 shares of common stock at a public offering price of \$2.50 per share (the "Public Offering"). The net proceeds from the Public Offering were approximately \$2.4 million, after deducting the placement agent fees and offering expenses. We intend to use the net proceeds from the Public Offering for general corporate purposes, including expenses related to our proposed merger with Vyome and sale of substantially all of our assets to Ninjour Health International Limited.

Our exclusive placement agent in connection with the offering, Maxim, received a cash fee equal to up to 7.0% of the gross proceeds received by from the sale of the common stock in the offering, as well as reimbursement for certain expenses.

On June 27, 2025, we entered into a promissory note with Vyome pursuant to which we agreed to loan \$200,000 to Vyome. Vyome will use the proceeds for working capital purposes as well as legal, accounting and other expenses related to the transactions contemplated by the Merger Agreement. The outstanding principal balance under the promissory note will bear interest at the rate of 8.0% per annum. If the Merger Agreement is terminated by us under Section 8.01(b)(iv) thereof (because the Concurrent Financing Agreement (as defined in the Merger Agreement) is not in full force and effect such that the Concurrent Financing shall not be consummated immediately following the effective time of the merger without the further satisfaction of any conditions), then the promissory note will become senior in right of payment to all other debt of Vyome and will become a secured obligation of Vyome. The aggregate unpaid principal amount under the promissory note and all accrued unpaid interest will be due and payable on September 30, 2025. If the merger is completed prior to September 30, 2025, then Vyome will not be required to repay the amounts outstanding under the promissory note, but the aggregate amount of unpaid principal and interest will then be counted as ReShape net cash under the Merger Agreement. In connection with the promissory note, Vyome also agreed to extend the date after which either party could terminate the Merger Agreement from March 31, 2025 to June 30, 2025. As of June 30, 2025, we had funded \$200,000 under the promissory note.

Pending Merger and Asset Sale

On July 8, 2024, we entered into the Merger Agreement with Vyome, and Raider Lifesciences Inc., a Delaware corporation, and a direct, wholly owned subsidiary of ReShape (“Merger Sub”). Pursuant to the Merger Agreement, and subject to the satisfaction or waiver of the conditions specified therein, including Nasdaq’s approval of a new listing application for the combined company, Merger Sub shall be merged with and into Vyome, with Vyome surviving as a subsidiary of ReShape (the “Merger”). The combined company intends to change its name to Vyome Holdings, Inc. (the “Combined Company”) and will focus on Vyome’s business of advancing the development of its immuno-inflammatory assets and on identifying additional opportunities between the world-class Indian innovation corridor and the U.S. market.

Simultaneously with the execution of the Merger Agreement, we entered into an Asset Purchase Agreement, which was amended on April 25, 2025 (the “Asset Purchase Agreement”), with Ninjour Health International Limited, a company incorporated under the laws of the United Kingdom, which is an affiliate of Biorad Medisys Pvt. Ltd. (together, “Biorad”). Pursuant to the Asset Purchase Agreement, and subject to the satisfaction or waiver of the conditions specified therein, we will sell substantially all of our assets (excluding cash) to Biorad, and Biorad will assume substantially all of our liabilities, for a purchase price of \$2.25 million in cash, subject to adjustment based on our actual accounts receivable and accounts payable at the closing compared to such amounts as of March 31, 2024 (the “Asset Sale”). Biorad is party to a previously disclosed exclusive license agreement, dated September 19, 2023, with us for ReShape’s Obalon® Gastric Balloon System.

On October 1, 2024, we filed a Registration Statement on Form S-4 in connection with the Merger and Asset Sale, which we anticipate will close in the second quarter of 2025, assuming the conditions to closing are satisfied. On December 6, 2024, we filed an Amendment No. 1 to that Registration Statement on Form S-4, on January 15, 2025 we filed an Amendment No. 2, on April 29, 2025 we filed an Amendment No. 3, and on May 9, 2025 we filed an Amendment No. 4, and on May 14, 2025 we filed an Amendment No. 5 to that Registration Statement on Form S-4, which was declared effective May 14, 2025. On June 17, 2025, we filed a Post-Effective Amendment No. 1 to that Registration Statement on Form S-4, which was declared effective on June 20, 2025, and on June 24, 2025, we filed a proxy/information statement-prospectus. All proposals listed in the proxy/information statement-prospectus were approved by our stockholders at a special meeting held on July 24, 2025 and partially adjourned to August 7, 2025.

We entered into an equity purchase agreement, dated December 19, 2024, with a certain institutional investor and a secured convertible note transaction in order to fund our operations through the closing of the Merger and Asset Sale. The description of our business set forth above reflects our current business operations, but if the Merger and Asset Sale are completed, we will sell substantially all of our assets to Ninjour Health International Limited (or an affiliate thereof) and the Combined Company following the Merger intends to focus on Vyome’s business. However, the completion of the Merger and Asset Sale both remain subject to a number of conditions to closing, and there can be no assurance that the Merger and Asset Sale will be consummated. Failure to complete the Merger and Asset Sale could negatively impact our future operations, financial results and stock price.

Reverse Stock Split

Effective May 9, 2025, we effected a 1-for-25 reverse stock split of our issued and outstanding common stock (the “2025 Reverse Stock Split”). All references to shares of our common stock in the accompanying condensed consolidated financial statements and notes refer to the number of shares of common stock after giving effect to the 2025 Reverse Stock Split and are presented as if the 2025 Reverse Stock Split had occurred at the beginning of the earliest period presented.

Effective September 23, 2024, we effected a 1-for-58 reverse stock split of our issued and outstanding common stock (the “2024 Reverse Stock Split”). All references to shares of our common stock in the accompanying condensed consolidated financial statements and notes refer to the number of shares of common stock after giving effect to the 2024 Reverse Stock Split and are presented as if the 2024 Reverse Stock Split had occurred at the beginning of the earliest period presented.

Results of Operations

The following table sets forth certain data from our unaudited consolidated statements of operations expressed as percentages of revenue (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2025		2024		2025		2024	
Revenue	\$ 1,242	100.0 %	\$ 1,965	100.0 %	\$ 2,355	100.0 %	\$ 3,909	100.0 %
Cost of revenue	643	51.8 %	831	42.3 %	1,075	45.6 %	1,610	41.2 %
Gross profit	599	48.2 %	1,134	57.7 %	1,280	54.4 %	2,299	58.8 %
Operating expenses:								
Sales and marketing	583	46.9 %	670	34.1 %	1,112	47.2 %	1,689	43.2 %
General and administrative	1,591	128.1 %	1,906	97.0 %	3,256	138.3 %	3,666	93.8 %
Research and development	476	38.3 %	399	20.3 %	840	35.7 %	883	22.6 %
Transaction costs	711	57.2 %	213	10.8 %	1,043	44.3 %	325	8.3 %
Total operating expenses	3,361	270.5 %	3,188	162.2 %	6,251	265.5 %	6,563	167.9 %
Operating loss	(2,762)	(222.3)%	(2,054)	(104.5)%	(4,971)	(211.1)%	(4,264)	(109.1)%
Other expense (income), net:								
Interest (income) expense, net	(18)	(1.4)%	(4)	(0.2)%	21	0.9 %	(13)	(0.3)%
Loss (gain) on changes in fair value of liability warrants	(1)	(0.1)%	2	0.1 %	(3,663)	(155.5)%	(18)	(0.5)%
Gain on extinguishment of debt	—	— %	(429)	(21.8)%	(24)	(1.0)%	(429.0)	(11.0)%
(Gain) loss on foreign currency exchange, net	(61)	(4.9)%	16	0.8 %	(49)	(2.1)%	40	1.0 %
Other income, net	(60)	(5)%	(59)	(3.0)%	(114)	(4.8)%	(84)	(2.1)%
Loss before income tax provision	(2,622)	(211.1)%	(1,580)	(80.4)%	(1,142)	(48.6)%	(3,760)	(96.2)%
Income tax expense	8	0.6 %	15	0.8 %	14	0.6 %	28	0.7 %
Net loss	\$ (2,630)	(211.7)%	\$ (1,595)	(81.2)%	\$ (1,156)	(49.1)%	\$ (3,788)	(96.9)%

Non-GAAP Disclosures

In addition to the financial information prepared in conformity with GAAP, we provide certain historical non-GAAP financial information. Management believes that these non-GAAP financial measures assist investors in making comparisons of period-to-period operating results.

Management believes that the presentation of this non-GAAP financial information provides investors with greater transparency and facilitates comparison of operating results across a broad spectrum of companies with varying capital structures, compensation strategies, and amortization methods, which provides a more complete understanding of our financial performance, competitive position, and prospects for the future. However, the non-GAAP financial measures presented in Form 10-Q have certain limitations in that they do not reflect all of the costs associated with the operations of our business as determined in accordance with GAAP. Therefore, investors should consider non-GAAP financial measures in addition to, and not a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. Further, the non-GAAP financial measures presented by the Company may be different from similarly named non-GAAP financial measures used by other companies.

Adjusted EBITDA

Management uses adjusted EBITDA in its evaluation of the Company's core results of operations and trends between fiscal periods and believes that these measures are important components of its internal performance measurement process. Adjusted EBITDA is defined as net loss before interest, taxes, depreciation and amortization, stock-based compensation, changes in fair value of liability warrants, and other one-time costs.

The following table contains a reconciliation of GAAP net loss to Adjusted EBITDA attributable to common stockholders for the three and six months ended June 30, 2025 and 2024 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
GAAP net loss	\$ (2,630)	\$ (1,595)	\$ (1,156)	\$ (3,788)
Adjustments:				
Interest (income) expense, net	(18)	(4)	21	(13)
Income tax expense	8	15	14	28
Depreciation and amortization	4	6	8	12
Stock-based compensation expense	12	65	27	137
Transaction costs	711	213	1,043	325
Loss (gain) on changes in fair value of liability warrants	(1)	2	(3,663)	(18)
Gain on extinguishment of debt	—	(429)	(24)	(429)
Adjusted EBITDA	<u>\$ (1,914)</u>	<u>\$ (1,727)</u>	<u>\$ (3,730)</u>	<u>\$ (3,746)</u>

Comparison of Results of Operations

Three months ended June 30, 2025 and June 30, 2024

Revenue. The following table summarizes our unaudited revenue by geographic location based on the location of customers for the three months ended June 30, 2025 and 2024, as well as the percentage of each location to total revenue and the amount of change and percentage of change (dollars in thousands):

	Three Months Ended June 30,				Amount	Percentage
	2025		2024		Change	Change
United States	\$ 1,092	87.9 %	\$ 1,663	84.6 %	\$ (571)	(34.3)%
Australia	68	5.5 %	103	5.2 %	(35)	(34.0)%
Europe	81	6.5 %	198	10.1 %	(117)	(59.1)%
Rest of world	1	0.1 %	1	0.1 %	—	— %
Total revenue	\$ 1,242	100.0 %	\$ 1,965	100.0 %	\$ (723)	(36.8)%

Revenue totaled \$1.2 million for the three months ended June 30, 2025, which represents a contraction of 36.8%, or \$0.7 million compared to the same period in 2024. This primarily resulted from a decrease in sales volume primarily due to GLP-1 pharmaceutical weight-loss alternatives. In addition, reduced sales and marketing expenditures, along with a shift in focus toward activities related to the Merger, contributed to the decline in revenue during the period.

Cost of Goods Sold and Gross Profit. The following table summarizes our unaudited cost of revenue and gross profit for the three months ended June 30, 2025 and 2024, as well as the percentage compared to total revenue and amount of change and percentage of change (dollars in thousands):

	Three Months Ended June 30,				Amount	Percentage
	2025		2024		Change	Change
Revenue	\$ 1,242	100.0 %	\$ 1,965	100.0 %	\$ (723)	(36.8)%
Cost of revenue	643	51.8 %	831	42.3 %	(188)	(22.6)%
Gross profit	\$ 599	48.2 %	\$ 1,134	57.7 %	\$ (535)	(47.2)%

Gross Profit. Gross profit for the three months ended June 30, 2025 and 2024, was \$0.6 million, and \$1.1 million, respectively. Gross profit as a percentage of total revenue for the three months ended June 30, 2025, was 48.2% compared to 57.7% for the same period in 2024. The decrease in gross profit percentage was primarily attributable to lower sales volumes, as a portion of our cost of revenue consists of fixed costs that do not vary with sales volume. The lower sales in the current period resulted in a smaller portion of fixed costs being absorbed, which reduced gross profit.

Operating Expense. The following table summarizes our unaudited operating expenses for the three months ended June 30, 2025 and 2024, as well as the percentage of total revenue and the amount of change and percentage of change (dollars in thousands):

	Three Months Ended June 30,				Amount	Percentage
	2025		2024		Change	Change
Sales and marketing	\$ 583	46.9 %	\$ 670	34.1 %	\$ (87)	(13.0)%
General and administrative	1,591	128.1 %	1,906	97.0 %	(315)	(16.5)%
Research and development	476	38.3 %	399	20.3 %	77	19.3 %
Transaction costs	711	57 %	213	10.8 %	498	40.1 %
Total operating expenses	\$ 3,361	270.5 %	\$ 3,188	162.2 %	\$ 173	5.4 %

Sales and Marketing Expense. Sales and marketing expenses for the three months ended June 30, 2025, decreased by \$0.1 million, or 13.0%, to \$0.6 million, compared to \$0.7 million for the same period in 2024. The decrease is primarily due to a decrease of \$0.1 million in payroll-related expenditures, including commissions, stock compensation expense and travel, due to changes in sales personnel and a reduction in sales.

General and Administrative Expense. General and administrative expenses for the three months ended June 30, 2025, decreased by \$0.3 million, or 16.5%, to \$1.6 million, compared to \$1.9 million for the same period in 2024. The decrease is primarily due to a reduction in general legal, audit, and other professional fees, as the Company reduced its reliance on consultants and professional services to conserve cash.

Research and Development Expense. Research and development expenses for the three months ended June 30, 2025, increased by \$0.1 million, or 19.3% to \$0.5 million, compared to approximately \$0.4 million for the same period in the prior year. The increase for the three months ended June 30, 2025 compared to three months ended June 30, 2024 was primarily driven by higher payroll-related expenditures resulting from increased accrued severance costs in connection with the departure of the Vice President of Regulatory in the second quarter of 2025.

Transaction Costs. Transaction costs for the three months ended June 30, 2025, increased by \$0.5 million, or 40.1%, to \$0.7 million, compared to \$0.2 million for the same period in 2024. These expenses primarily consisted of legal fees and audit-related fees incurred in connection with the Company's pending Merger and Asset Sale.

Six months ended June 30, 2025 and June 30, 2024

Revenue. The following table summarizes our unaudited revenue by geographic location based on the location of customers for the six months ended June 30, 2025 and 2024, as well as the percentage of each location to total revenue and the amount of change and percentage of change (dollars in thousands):

	Six Months Ended June 30,				Amount	Percentage
	2025		2024		Change	Change
United States	\$ 2,023	85.9 %	\$ 3,281	83.9 %	\$ (1,258)	(38.3)%
Australia	146	6.2 %	205	5.2 %	(59)	(28.8)%
Europe	179	7.6 %	396	10.1 %	(217)	(54.8)%
Rest of world	7	0 %	27	0.8 %	(20)	(74.1)%
Total revenue	\$ 2,355	100.0 %	\$ 3,909	100.0 %	\$ (1,554)	(39.8)%

Revenue totaled \$2.4 million for the six months ended June 31, 2025, which represents a contraction of 39.8%, or \$1.6 million compared to the same period in 2024. This primarily resulted from a decrease in sales volume primarily due to GLP-1 pharmaceutical weight-loss alternatives. In addition, reduced sales and marketing expenditures, along with a shift in focus toward activities related to the Merger, contributed to the decline in revenue during the period.

Cost of Goods Sold and Gross Profit. The following table summarizes our unaudited cost of revenue and gross profit for the six months ended June 30, 2025 and 2024, as well as the percentage compared to total revenue and amount of change and percentage of change (dollars in thousands):

	Six Months Ended June 30,				Amount	Percentage
	2025		2024		Change	Change
Revenue	\$ 2,355	100.0 %	\$ 3,909	100.0 %	\$ (1,554)	(39.8)%
Cost of revenue	1,075	45.6 %	1,610	41.2 %	(535)	(33.2)%
Gross profit	\$ 1,280	54.4 %	\$ 2,299	58.8 %	\$ (1,019)	(44.3)%

Gross Profit. Gross profit for the six months ended June 30, 2025 and 2024, was \$1.3 million, and \$2.3 million, respectively. Gross profit as a percentage of total revenue for the three months ended June 30, 2025, was 54.4% compared to 58.8% for the same period in 2024. The decrease in gross profit percentage was primarily attributable to lower sales volumes, as a portion of our cost of revenue consists of fixed costs that do not vary with sales volume. The lower sales in the current period resulted in a smaller portion of fixed costs being absorbed, which reduced gross profit.

Operating Expense. The following table summarizes our unaudited operating expenses for the six months ended June 30, 2025 and 2024, as well as the percentage of total revenue and the amount of change and percentage of change (dollars in thousands):

	Six Months Ended June 30,				Amount	Percentage
	2025		2024		Change	Change
Sales and marketing	\$ 1,112	47.2 %	\$ 1,689	43.2 %	\$ (577)	(34.2)%
General and administrative	3,256	138.3 %	3,666	93.8 %	(410)	(11.2)%
Research and development	840	35.7 %	883	22.6 %	(43)	(4.9)%
Transaction costs	1,043	44.3 %	325	8.3 %	718	220.9 %
Total operating expenses	\$ 6,251	265.5 %	\$ 6,563	167.9 %	\$ (312)	(4.8)%

Sales and Marketing Expense. Sales and marketing expenses for the six months ended June 30, 2025, decreased by \$0.6 million, or 34.2%, to \$1.1 million, compared to \$1.7 million for the same period in 2024. The decrease is primarily due to a decrease of approximately \$0.4 million in payroll-related expenditures, including commissions, stock compensation expense and travel, due to changes in sales personnel and a reduction in sales. Additionally, there was a decrease of \$0.1 million in advertising and marketing expenses, including consulting and professional marketing services, as the Company has reevaluated its marketing approach and has moved to a targeted digital marketing campaign, resulting in a reduction of costs, and a \$0.1 million reduction in other expenses.

General and Administrative Expense. General and administrative expenses for the six months ended June 30, 2025, decreased by \$0.4 million, or 11.2%, to \$3.3 million, compared to \$3.7 million for the same period in 2024. The decrease is primarily due to a reduction in general legal, audit, and other professional fees, as the Company reduced its reliance on consultants and professional services to conserve cash.

Research and Development Expense. Research and development expenses for the six months ended June 30, 2025, decreased by \$0.1 million, or 4.9% to \$0.8 million, compared to approximately \$0.9 million for the same period in the prior year. The primary reason for the decrease is due to a reduction in consulting and clinical trials, as the Company has paused all clinical work to preserve cash. This increase was partially offset by higher payroll-related expenditures, reflecting increased accrued severance costs in connection with the departure of the Vice President of Regulatory in the second quarter of 2025.

Transaction Costs. Transaction costs for the six months ended June 30, 2025, increased by \$0.7 million, or 220.9%, to \$1.0 million, compared to \$0.3 million for the same period in 2024. These expenses primarily consisted of legal fees and audit-related fees incurred in connection with the Company's pending Merger and Asset Sale.

Liquidity and Capital Resources

We have financed our operations to date principally through the sale of equity securities and debt financings. In February 2025, we raised \$4.8 million after costs in a public offering of common shares and stock warrants. In June 2025, we raised \$6.1 million after costs in public offerings of common shares. As of June 30, 2025, we had \$4.1 million of cash and cash equivalents, and \$100 thousand of restricted cash.

The following table summarizes our change in cash and cash equivalents and restricted cash (in thousands):

	Six Months Ended June 30,	
	2025	2024
Net cash used in operating activities	\$ (6,613)	\$ (3,429)
Net cash used in investing activities	—	—
Net cash provided by financing activities	10,048	24
Effect of exchange rate changes	(5)	(1)
Net change in cash and cash equivalents and restricted cash	<u>\$ 3,430</u>	<u>\$ (3,406)</u>

Net Cash Used in Operating Activities

Net cash used in operating activities from operations was \$6.6 million and \$3.4 million for the six months ended June 30, 2025 and 2024, respectively. For the six months ended June 30, 2025, net cash used in operating activities was primarily the result of our net loss of \$1.2 million and a non-cash gain of \$3.7 million related to the change in fair value of liability-classified warrants. Other non-cash items included stock-based compensation expense of \$27,000, bad debt recovery of \$67,000, and depreciation expense of \$8,000. Additionally, there was a \$0.3 million increase in accounts and other receivables, a \$0.4 million increase in prepaid expenses and other current assets, a \$0.1 million increase in inventory, and a \$0.9 million decrease in accounts payable and accrued liabilities.

For the six months ended June 30, 2024, net cash used in operating activities was primarily the result of our net loss of \$3.9 million, partially offset by non-cash adjustments for stock-based compensation expense of \$0.1 million and inventory reserve of \$0.1 million, offset by a negative cash impact related to a reduction in bad debt of approximately \$0.2 million, as we received a large return of products where the receivable was fully reserved and \$0.4 million related to old accounts payable that have passed their statute of limitations. We show a positive cash impact on accounts receivable of \$0.4 million, and inventory of approximately \$0.4 million, and a negative impact to cash for accounts payable and accrued liabilities of \$0.1 million.

Net Cash Used in Investing Activities

There was no cash used in investing activities for the six months ended June 30, 2025.

There was no cash used in investing activities for the six months ended June 30, 2024.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$10.0 million for the six months ended June 30, 2025 due to \$4.8 million of net proceeds received from the public offering completed during February 2025, after costs to complete the transaction, and \$6.1 million of net proceeds received from the public offerings completed during June 2025, after costs to complete the transaction. Additionally, the Company repaid in full the \$0.8 million senior secured convertible note issued in October 2024.

Financing activities provided \$24 thousand related to exercise of warrants for the six months ended June 30, 2024.

The Company's anticipated operations include plans to (i) merge with Vyome and sell certain assets to Biorad, which will continue the operations, (ii) grow sales and operations of the Company with the Lap-Band product line both domestically and internationally as well as to obtain cost savings synergies, (iii) expand sales in the market Lap-Band 2.0 FLEX, (iv) continue development of the Diabetes Bloc-Stim Neuromodulation ("DBSN") device, and (v) prior to such merger, explore and capitalize on synergistic opportunities to expand our portfolio and offer future minimally invasive treatments and therapies in the obesity continuum of care. The Company believes that it has the flexibility to manage the growth of its expenditures and operations depending on the amount of available cash flows, which could include reducing expenditures for marketing and product development activities.

In 2025, the Company raised \$10.9 million after costs in public offerings of common shares and stock warrants. These funds will be used for operations and additional transaction costs. At the current burn rate, management expects to run out of cash during the fourth quarter of 2025. Based on our available cash resources, we may not have sufficient cash on hand to fund our current operations for more than 12 months from the date of filing this Form 10-Q. This condition raises substantial doubt about our ability to continue as a going concern.

Because of the numerous risks and uncertainties associated with the development of medical devices, such as our Diabetes Bloc-Stim Neuromodulation, we are unable to estimate the exact amounts of capital outlays and operating expenditures necessary to complete the development of the Diabetes Bloc-Stim Neuromodulation or other additional products and successfully deliver a commercial product to the market. Future capital requirements will depend on many factors and will be decided by Biorad, once the pending asset sale is complete.

Critical Accounting Policies and Estimates

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. Information with respect to our critical accounting policies and estimates which we believe could have the most significant effect on our reported results and require subjective or complex judgments by management is contained in Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," of our Annual Report on Form 10-K for the year ended December 31, 2024. There have been no significant changes from the information discussed therein.

During the six months ended June 30, 2025, there were no material changes to our significant accounting policies, which are fully described in Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2024.

Recent Accounting Pronouncements

See Note 1 to our condensed consolidated financial statements for a discussion of recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide disclosure pursuant to this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), defines the term “disclosure controls and procedures” as those controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. An internal control material weakness is a significant deficiency, or aggregation of deficiencies, that does not reduce to a relatively low level the risk that material misstatements in financial statements will be prevented or detected on a timely basis by employees in the normal course of their work. An internal control significant deficiency, or aggregation of deficiencies, is one that could result in a misstatement of the financial statements that is more than inconsequential. In making its assessment of internal control over financial reporting management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013). Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2025, and determined that our internal control over financial reporting was not effective at a reasonable assurance level due to the following material weaknesses in our internal control over financial reporting:

Control Environment: The Company has insufficient internal resources with appropriate accounting and finance knowledge and expertise to design, implement, document and operate effective internal controls over the financial reporting process. As a result, there was a lack of management review over several areas of the consolidated financial statements, including errors which were individually assessed as significant deficiencies that, when aggregated, resulted in a material weakness related to: 1) insufficient review of obsolete and scrap inventory; 2) insufficient reviews of accounts payable; and 3) inappropriate application of accounting standards related to functional currency. In addition to these identified errors, there were other areas of the consolidated financial statements that were impacted by certain deficiencies. During the prior year, there were deficiencies identified that have not yet been remediated including misstatements of inaccurate reporting of earnings per share due to formula errors over the weighted average share calculation spreadsheet and errors to the stock-based compensation expense. The root cause of all of the deficiencies identified above was related to insufficient internal resources with appropriate accounting and finance knowledge, which aggregated into this material weakness.

Journal Entry Access and Review: The Company did not have effective processes to ensure that all journal entries were properly approved prior to being posted to the general ledger. Furthermore, a segregation of duties conflict is present as the Sr. Accounting Manager has the ability to both prepare and post journal entries to the general ledger. As a result, it was concluded that there is material weakness in the design and operating effectiveness of internal controls over access and reviews of journal entries.

Information Technology (“IT”) Access Change and IT Security: A segregation of duties conflict is present as access, change management and other IT security risks to the Company’s information technology systems are not monitored or reviewed on a timely basis. This material weakness resulted from the aggregation of various control deficiencies.

Financial Reporting:

Inventory Capitalization – The Company’s controls were not designed effectively as the Company did not have a process in place to evaluate the amount of inventory and cost of goods sold.

Income Taxes – The Company did not design and maintain effective management review controls at a sufficient level of precision over the accounting for income taxes. Management’s controls surrounding the evaluation of income tax provision and related disclosures were not operating effectively as the disclosure was not updated to reflect the appropriate tax amortization related to the accrued settlement account. While this did not have an impact on the financial statements due to the full valuation allowance recorded on the deferred tax assets, this did have an impact on the presentation of the prior year footnote disclosure. Additionally, there were errors identified within the tax provision during the prior year related to cost of goods sold for the Company’s foreign entities. This material weakness resulted in certain material corrections to the financial statements including the establishment of a FIN 48 liability, the tax benefit related to impairment charges recorded for the IPR&D in the prior year, the overstatement of the deferred tax asset and valuation allowance related to depreciable assets in the prior year, a return to provision adjustment in 2022 related to Obalon net operating losses generated in 2021 as a result of inaccurate stock compensation recorded within the tax provision and a difference in pretax book income that was unaccounted for in the disclosure.

Purchase Accounting – The Company did not design and maintain effective management review controls at a sufficient level of precision over the accounting for transactions related to the prepaid D&O insurance policy purchased in connection with the merger transaction in June 2021. This material weakness resulted in certain material corrections to the financial statements and in the restatement of the consolidated financial statements.

Subject to available resources and funds, we are currently implementing our remediation plan to address the material weaknesses identified above. Such measures include:

Designing and implementing controls to formalize roles and review responsibilities to align with our team's skills and experience and designing and implementing formalized controls.

Designing and implementing formal processes, policies and procedures supporting our financial close process.

Designing a formal review of a monthly journal entry report to ensure journal entries are appropriately approved within a timely manner.

Changes in Internal Control over Financial Reporting

Other than in connection with executing upon the continued implementation of the remediation measures referenced above, there have been no changes in our internal controls over financial reporting during the quarter ended June 30, 2025, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On December 2, 2024, the Company received notice, dated November 22, 2024, from Rosenberg Law indicating that the Company was the subject of an application to be added as a defendant in a proposed class action lawsuit in Canada, captioned *Raymond Edson Marshall v. Allergan Inc.*, Court File No. VLC-S-S-151970, filed in the Supreme Court of British Columbia. The plaintiff alleges that the Lap-Band gastric banding device, originally developed and marketed by Allergan Inc. and later acquired by the Company in December 2018, causes an unacceptably high rate of complications, including pain, device failure, the need for corrective surgeries, and permanent injuries. The proposed class includes Canadian individuals who were implanted with the Lap-Band and experienced similar harms.

The plaintiff asserts that the Company, as the current owner and manufacturer of the Lap-Band device, failed to adequately warn of its risks and complications and continued to market and distribute the product in a manner that allegedly misrepresented its safety and effectiveness. Relief sought from the Company includes general and special damages for personal injuries, aggravated and punitive damages, statutory damages under the *Business Practices and Consumer Protection Act*, recovery of public healthcare costs under the *Health Care Costs Recovery Act*, and injunctive and declaratory relief.

On January 10, 2025, the Vancouver Supreme Court held a hearing on the plaintiff’s application to file a Further Amended Notice of Civil Claim to add, among others, the Company as a defendant. The Court granted the plaintiff leave to amend the claim accordingly. As of the date of this report, the terms of the order have not yet been entered with the court registry and the Company has not been formally served.

Based on the Company's review of the amended pleading and the facts and circumstances available to date, no legal liability is determined to be probable or reasonably estimable. Accordingly, there are no implications on the Company's condensed consolidated financial statements for the three and six months ended June 30, 2025.

The Company is not aware of any pending or threatened litigation against it that could have a material adverse effect on the Company's business, operating results or financial condition, other than what was disclosed above. The medical device industry in which the Company operates is characterized by frequent claims and litigation, including claims regarding patent and other intellectual property rights as well as improper hiring practices. As a result, the Company may be involved in various legal proceedings from time to time.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors set forth in Item 1A. "Risk Factors" of our 2024 Annual Report on Form 10-K filed on April 4, 2025.

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

None.

Uses of Proceeds from Sale of Registered Securities

None.

Purchases of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Plan and Non-Rule 10b5-1 Trading Arrangement Adoptions, Terminations, and Modifications

During the three months ended June 30, 2025, none of our directors or "officers" (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) and Item 408(c) of SEC Regulation S-K, respectively.

ITEM 6. EXHIBITS

Exhibit No.	Description
2.1	<u>Agreement and Plan of Merger, dated as of July 8, 2024, by and among ReShape Lifesciences Inc., Vyome Therapeutics, Inc., and Raider Lifesciences Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2024).</u>
2.2	<u>Asset Purchase Agreement, dated as of July 8, 2024, by and between ReShape Lifesciences Inc. and Ninjour Health International Limited (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2024).</u>
2.3	<u>Amendment to Asset Purchase Agreement, dated April 25, 2025, between ReShape Lifesciences Inc. and Ninjour Health International Limited (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2025).</u>
3.1	<u>Seventh Amendment to Restated Certificate of Incorporation, as amended, of ReShape Lifesciences Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2025).</u>
4.1	<u>Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2025).</u>
10.1	<u>Promissory Note, dated April 15, 2025, between ReShape Lifesciences Inc. and Vyome Therapeutics, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 21, 2025).</u>
10.2	<u>Equity Distribution Agreement, dated May 30, 2025, by and between ReShape Lifesciences Inc. and Maxim Group LLC (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 30, 2025).</u>
10.3	<u>Form of Placement Agency Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2025).</u>
10.4	<u>Promissory Note, dated June 27, 2025, between ReShape Lifesciences Inc. and Vyome Therapeutics, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2025).</u>
31.1**	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2**	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101**	Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2025, formatted in Inline XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

** Filed 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, thereunto duly authorized.

RESHAPE LIFESCIENCES INC.

By: /s/ PAUL F. HICKEY
Paul F. Hickey
President and Chief Executive Officer
(principal executive officer)

By: /s/ THOMAS STANKOVICH
Thomas Stankovich
Senior Vice President and
Chief Financial Officer
(principal financial and accounting officer)

Dated: August 14, 2025

CERTIFICATION

I, Paul F. Hickey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ReShape Lifesciences 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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PAUL F. HICKEY

Paul F. Hickey
President and Chief Executive Officer

Date: August 14, 2025

CERTIFICATION

I, Thomas Stankovich certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ReShape Lifesciences 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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ THOMAS STANKOVICH

Thomas Stankovich
Chief Financial Officer, Senior Vice President,
Finance

Date: August 14, 2025

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Paul F. Hickey, in his capacity as Chief Executive Officer of ReShape Lifesciences Inc., hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 to which this Certification is attached as Exhibit 32.1 (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of ReShape Lifesciences Inc. as of, and for, the periods covered by the Report.

By: /s/ PAUL F. HICKEY
Paul F. Hickey
President and Chief Executive Officer

Date: August 14, 2025

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Thomas Stankovich, in his capacity as Chief Financial Officer of ReShape Lifesciences Inc., hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 to which this Certification is attached as Exhibit 32.2 (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of ReShape Lifesciences Inc. as of, and for, the periods covered by the Report.

By: /s/ THOMAS STANKOVICH
Thomas Stankovich
Chief Financial Officer, Senior Vice President,
Finance

Date: August 14, 2025
