

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2026**

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

For the transition period from _____ to _____

Commission File No. **001-42497**

ODYSIGHT.AI INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation or organization)

47-4257143

(I.R.S. Employer
Identification No.)

**12 Abba Hillel Silver RD, Sasson Hugi Tower
Ramat Gan, Israel**

(Address of Principal Executive Offices)

5250606

(Zip Code)

+972 73 370-4690

(Registrant's telephone number, including area code)

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

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, par value \$0.001 per share	ODYS	The Nasdaq Stock Market LLC

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

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

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

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

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

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

As of May 14, 2026, the registrant had 16,777,322 shares of common stock, par value \$0.001 per share, of the registrant issued and outstanding.

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

ODYSIGHT.AI INC.
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

	<u>Page</u>
Special Note Regarding Forward-Looking Statements	3
PART I-FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements (unaudited)	4
Consolidated Balance Sheets	5
Consolidated Statements of Operations and Comprehensive Loss	7
Statements of Stockholders' Equity	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures about Market Risk	24
Item 4. Controls and Procedures	24
PART II-OTHER INFORMATION	
Item 1A. Risk Factors	25
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3. Defaults Upon Senior Securities	25
Item 4. Mine Safety Disclosures	25
Item 5. Other Information	25
Item 6. Exhibits	25
SIGNATURES	26

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our ability to scale up our operations, including market acceptance and large-scale adoption of our vision-based sensor products;
- the amount and timing of future sales and our long and unpredictable sales cycles;
- our ability to maintain product quality and performance at an acceptable cost and meet technical and quality specifications;
- our ability to accurately estimate the future supply and demand for our solutions and changes to various factors in our supply chain;
- the market for adoption of vision-based sensor technologies;
- compliance with existing laws and regulations and regulatory developments in the United States, Israel, and other jurisdictions, including trade control laws, export authorizations and safety regulations;
- our plans and ability to obtain, maintain, and protect intellectual property rights, including extensions of patent terms, and our ability to avoid infringing the intellectual property rights of others;
- the need to hire additional personnel and our ability to attract and retain such personnel, including key members of our senior management;
- our estimates regarding expenses, backlog, future revenue, capital requirements and need for additional financing;
- our dependence on third parties, including suppliers and strategic partners;
- our dependence on a limited number of customers for a substantial portion of our revenues and the impact if order volumes from existing or anticipated customers do not meet expectations;
- our financial performance and history of operating losses;
- the growth of regulatory requirements and incentives;
- the incorporation of artificial intelligence, or AI, and machine learning, or ML, into our products;
- risks related to product liability claims or product recalls;
- cybersecurity risks and potential data security breaches;
- the overall global economic environment and trade tensions, including the adoption or expansion of economic sanctions, tariffs or trade restrictions;
- challenges and risks related to sales to government entities and highly regulated organizations;
- the impact of competition and new technologies;
- limitations and exclusivity provisions in our customer agreements and restrictions on the use of intellectual property;
- our ability to ensure that our solutions interoperate with a variety of hardware and software platforms;
- our plans to continue to invest in research and develop technology for new products;
- our plans to potentially acquire complementary businesses;
- the impact of future pandemics on our business and on the business of our customers;
- fluctuations in foreign currency exchange rates;
- security, political and economic instability in the Middle East that could harm our business, including due to the security situation in Israel and military conflicts with Iran and terrorist organizations;
- the increased expenses and requirements associated with being a listed public company on the Nasdaq Capital Market, or Nasdaq; and
- risks associated with our dual listing on the Tel Aviv Stock Exchange, or the TASE, including price volatility, liquidity, and regulatory requirements.

Forward-looking statements are based on our management’s current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management’s beliefs and assumptions, are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Quarterly Report on Form 10-Q may turn out to be inaccurate. Important factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “*Risk Factors*” in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2025 (filed on March 19, 2026). Readers are urged to consider these factors carefully in evaluating the forward-looking statements. You should read our Annual Report on Form 10-K for the year ended December 31, 2025, and the documents that we reference in and have filed as exhibits thereto, completely and with the understanding that our actual future results may be materially different from what we expect.

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

Item 1. Financial Statements

ODYSIGHT.AI INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2026

	Page
Interim Condensed Consolidated Financial Statements - in US Dollars (USD) in thousands	
Interim Condensed Consolidated Balance Sheets (unaudited)	5
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)	7
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)	8
Interim Condensed Consolidated Statements of Cash Flows (unaudited)	9
Notes to the Interim Condensed Consolidated Financial Statements	10

ODYSIGHT.AI INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2026	December 31, 2025
	Unaudited	
Assets	USD in thousands	
CURRENT ASSETS:		
Cash and cash equivalents	21,763	25,677
Restricted cash	-	333
Accounts receivable	104	278
Unbilled receivables	649	615
Inventory	313	50
Other current assets	453	549
Total current assets	23,282	27,502
NON-CURRENT ASSETS:		
Property and equipment, net	325	346
Operating lease right-of-use assets	639	739
Severance pay asset	299	296
Other non-current assets	96	96
Total non-current assets	1,359	1,477
TOTAL ASSETS	24,641	28,979

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

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

	March 31, 2026	December 31, 2025
	Unaudited	
	USD in thousands	
Liabilities and shareholders' equity		
CURRENT LIABILITIES:		
Accounts payable	446	480
Contract liabilities	133	165
Operating lease liabilities - short term	468	511
Accrued compensation expenses	1,518	1,400
Related parties	88	115
Other current liabilities	331	327
Total current liabilities	2,984	2,998
NON-CURRENT LIABILITIES:		
Operating lease liabilities - long term	195	259
Liability for severance pay	299	296
Total non-current liabilities	494	555
TOTAL LIABILITIES	3,478	3,553
SHAREHOLDERS' EQUITY:		
Common stock, \$0.001 par value; 300,000,000 shares authorized as of March 31, 2026 and December 31, 2025, 16,773,407 and 16,357,327 shares issued and outstanding as of March 31, 2026 and December 31, 2025, respectively	17	17
Additional paid-in capital	89,336	88,418
Accumulated deficit	(68,190)	(63,009)
TOTAL SHAREHOLDERS' EQUITY	21,163	25,426
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,641	28,979

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

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

	Three months ended	
	March 31,	
	2026	2025
	Unaudited	
	USD in thousands (except per share data)	
REVENUES	82	2,065
COST OF REVENUES	61	1,527
GROSS PROFIT	21	538
RESEARCH AND DEVELOPMENT EXPENSES	2,557	2,487
SALES AND MARKETING EXPENSES	962	396
GENERAL AND ADMINISTRATIVE EXPENSES	1,840	2,215
OPERATING LOSS	(5,338)	(4,560)
FINANCING INCOME, NET	157	295
NET LOSS AND COMPREHENSIVE LOSS	(5,181)	(4,265)
Net loss per ordinary share (basic and diluted, USD)	(0.32)	(0.29)
Weighted average ordinary shares (basic and diluted, in thousands)	16,387	14,575

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

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

Three Months Ended March 31, 2026 (Unaudited)

	Common Stock		Additional paid-in capital	Accumulated deficit	Total Shareholders' equity
	Number	Amount			
	In thousands				
			USD in thousands		
Balance at January 1, 2026	16,358	\$ 17	\$ 88,418	(63,009)	\$ 25,426
Stock based compensation	-	-	886	-	886
Issuance of shares upon RSU vesting	2	*	(*)	-	-
Options exercise	6	*	32	-	32
Warrants exercise	407	*	(*)	-	-
Net loss	-	-	-	(5,181)	(5,181)
Balance at March 31, 2026	<u>16,773</u>	<u>\$ 17</u>	<u>\$ 89,336</u>	<u>\$ (68,190)</u>	<u>\$ 21,163</u>

Three Months Ended March 31, 2025 (Unaudited)

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

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

* Represents an amount less than \$1 thousand

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

	Three months ended March 31,	
	2026	2025
	Unaudited	
	USD in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(5,181)	(4,265)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation	27	27
Stock based compensation	886	806
Loss from exchange differences	20	29
Interest income in respect of deposits	-	12
CHANGES IN OPERATING ASSET AND LIABILITY ITEMS:		
Decrease in accounts receivable	174	1,318
Decrease (increase) in inventory	(263)	203
Decrease in operating lease liability	(139)	(136)
Decrease in right-of-use asset	127	118
Increase in unbilled receivables	(34)	(96)
Increase (decrease) in current and non-current other assets	96	(8)
Increase (decrease) in account payables	(28)	9
Increase (decrease) in related parties	(27)	98
Decrease in contract fulfillment assets	-	1,017
Decrease in current and non-current contract liabilities	(32)	(1,832)
Increase in accrued compensation expenses	110	332
Increase in current and non-current other liabilities	10	135
Net cash flows used in operating activities	<u>(4,254)</u>	<u>(2,233)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Withdrawal of short-term deposits	-	310
Purchase of property and equipment	(6)	(27)
Net cash flows provided by (used in) investing activities	<u>(6)</u>	<u>283</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares, net of issuance cost	-	20,909
Proceeds from options exercise	32	113
Net cash flows provided by financing activities	<u>32</u>	<u>21,022</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(4,228)	19,072
BALANCE OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	26,010	18,164
PROFIT FROM EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(19)	(29)
BALANCE OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT THE END OF THE PERIOD	<u>21,763</u>	<u>37,207</u>
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheet:		
Cash and cash equivalents	21,763	36,881
Restricted cash	-	326
Total cash, cash equivalents and restricted cash	<u>21,763</u>	<u>37,207</u>

SUPPLEMENTAL INFORMATION FOR CASH FLOW:

Non-cash activities -

	Three months ended March 31,	
	2026	2025
	Unaudited	
	USD in thousands	
Right-of-use assets obtained in exchange for operating lease liabilities	103	-
Termination of right-of-use assets in exchange for derecognition of operating lease obligations	(76)	-

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

ODYSIGHT.AI INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL:

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

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

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

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

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

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

On February 11, 2025, the Company’s common stock began trading on the Nasdaq Capital Market under the symbol “ODYS”. Prior to such date, the Company was quoted on the OTCQB under the same symbol. On April 9, 2026, the Company’s common stock began trading on Tel Aviv Stock Exchange under the symbol “ODYS”.

- b. Since incorporation of Odysight.ai and through March 31, 2026, the Company accumulated a deficit of approximately \$68.2 million and its activities have been funded mainly by its shareholders. The Company’s management believes the Company’s cash and cash resources will allow the Company to fund its operating plan through at least the next 12 months from the filing date of these interim consolidated financial statements. However, the Company expects to continue to incur significant research and development and other costs related to its ongoing operations, requiring the Company to obtain additional funding in order to continue its future operations until becoming profitable.
- c. On February 28, 2026, the United States and Israel involving attacks in Iran. In response, Iran launched ballistic missiles and unmanned aerial vehicles (UAVs) toward Israel and certain states in the Persian Gulf region. These events have resulted in civilian casualties and property damage in Israel. Additionally, Hezbollah, a terrorist organization in Lebanon, joined the attacks against Israel and Israel has started military operations in Lebanon. Following the commencement of the operation, Israel’s Home Front Command announced a “special home front situation” and updated safety guidelines that include, among other measures, restrictions on passenger flights, limitations on gatherings, broad reserve recruitment, and temporary closure of certain businesses, which has contributed to a partial reduction in economic activity in Israel. As a result of these guidelines, the Company’s offices in Israel were closed on certain days during this period. On April 8, 2026, the United States and Iran agreed to a temporary ceasefire with the aim of reaching a permanent agreement and ending the war and on April 16, 2026, a cessation of hostilities was announced between Israel and Lebanon. However, the military operation in Lebanon against Hezbollah is still ongoing and the Iran ceasefire remains fragile, with reports of continued military operations by both sides.

As a result of the above-described events, the Company experienced delays in customer orders and in deliveries in existing projects.

In the Company’s assessment, should the security situation continue for an extended period and/or escalate, its consequences may have a material adverse effect on the Israeli economy, including on the Company. Given that this is a dynamic event characterized by significant uncertainty, the extent of the impact of the security situation on the Company’s future operations is currently unknown.

ODYSIGHT.AI INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a. Unaudited Interim Financial Statements

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included (consisting only of normal recurring adjustments except as otherwise discussed). For further information, reference is made to the interim condensed consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025.

b. Principles of Consolidation

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

c. Use of estimates

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

d. Significant Accounting Policies

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

ODYSIGHT.AI INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – LEASES:

a. Omer office space

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

On June 25, 2023, Odysight.ai entered into an amendment to these agreements pursuant to which the lease for the Additional Space was shortened and ended on June 30, 2023, and the lease for the Original Space was extended for an additional five years until December 31, 2028. It was also agreed that Odysight.ai has an option to terminate the agreement for the Original Space with six months’ notice during the first three years.

Monthly lease payments under the agreement for the Original Space are approximately \$7 thousand.

In December 2025, the Company provided six months’ notice indicating its intention to terminate the lease agreement as of May 2026. In March 2026, the Company signed a two-year lease agreement for alternative office space in Omer. Monthly lease payments under the agreement are approximately \$5 thousand in the first year and approximately \$6 thousand in the second year.

b. Ramat Gan office space

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

Odysight.ai subleases part of the office space in Ramat Gan to a third party for approximately \$8 thousand per month.

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

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

	Three months ended March	
	31,	
	2026	2025
	USD in thousands	
Cash paid for amounts included in the measurement of lease liabilities	156	147

As of March 31, 2026, the Company’s operating leases had a weighted average remaining lease term of 0.76 years and a weighted average discount rate of 6% for vehicles and 12.8% for offices.

The maturities of lease liabilities under operating leases as of March 31, 2026 are as follows:

	Operating leases USD in thousands
Remainder of 2026	375
2027	274
2028	58
Total future lease payments	707
Less imputed interest	(44)
Total lease liability balance	663

ODYSIGHT.AI INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – OTHER CURRENT LIABILITIES:

Other current liabilities consisted of the following:

	March 31, 2026	December 31, 2025
	USD in thousands	
Government authorities	91	90
Accrued expenses	212	209
Other payables	28	28
	331	327

NOTE 5 – EQUITY:

a. Private and Public Placements

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

On March 31, 2026 all warrants expired.

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

During March 2026, all warrants were exercised on a cashless basis, and 407,497 shares were issued accordingly.

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

ODYSIGHT.AI INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – EQUITY (continued):

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

In February 2020, the Company’s Board of Directors approved the 2020 Share Incentive Plan (the “2020 Plan”).

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

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

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

In July 2024, the Company’s Board of Directors approved an increase to the 2024 Plan’s option pool by an additional 850,000 shares of common stock. Also in July 2024, the Company’s stockholders approved the 2024 Plan. In December 2025, the Company’s Board of Directors approved an increase to the 2024 Plan’s option pool by an additional 777,000 shares of common stock.

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

Stock option activity

The following table summarizes stock option activity for the three months ended March 31, 2026:

	For the Three months ended March 31, 2026	
	Amount of options	Weighted average exercise price
		\$
Outstanding at beginning of period	3,340,514	3.95
Granted	284,000	4.97
Exercised	(6,500)	4.80
Forfeited	(97,601)	3.83
Outstanding at end of period	3,520,413	4.03
Vested at end of period	2,643,860	3.76

The Company estimates the fair value of stock option awards on the grant date using the Black-Scholes option pricing model. The weighted-average grant date fair value per option granted during the three months ended March 31, 2026, was \$3.86. The fair value of each award is estimated using Black-Scholes option-pricing model based on the following assumptions: underlying value of shares of \$4.64-\$5.14, exercise price of \$4.70-\$5.14, expected volatility of 80.21%-86.88%, term of the options of 4.375-10 years and risk-free interest rate of 3.74%-4.08%.

On February 19, 2026, the Company’s Board of Directors approved a three-year extension of the term of 407,034 options that were originally set to expire in 2027 (the “Designated Options”). As a result of this extension, the Company estimated the fair value of the Designated Options both before and after the modification and recognized approximately \$400 thousand in stock-based payment expenses. The fair value of the Designated Options was estimated using the Black-Scholes option-pricing model, based on the following assumptions: underlying value of shares of \$5.14, exercise price of \$2.61, expected volatility of 84.89%-90.02%, term of the options of 0.98-4.34 years and risk-free interest rate of 3.49-3.575%.

ODYSIGHT.AI INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – EQUITY (continued):

Restricted stock unit (“RSU”) activity

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

The following table summarizes RSU activity for the three months ended March 31, 2026:

	For the Three months ended March 31, 2026	
	Amount of RSUs	Weighted Average Grant Date Fair Value per Share \$
Outstanding at beginning of period	4,167	3.00
Granted	-	-
Forfeited	-	-
Vested	(2,083)	3.00
Unvested and Outstanding at end of period	<u>2,084</u>	<u>3.00</u>

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

	Three months ended March 31,	
	2026	2025
	USD in thousands	
Cost of revenues	-	(2)
Research and development	113	246
Sales and marketing expenses	139	103
General and administrative	634	459
Total expenses	<u>886</u>	<u>806</u>

ODYSIGHT.AI INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – REVENUES:

a. Disaggregation of revenue

- (1) During the second quarter of 2022, the Company completed the development of a customer-specific project for a Fortune 500 medical company customer (the “Client”) and moved from the project development phase to its production phase. Through March 30, 2025, the Company recognized development services revenues and costs that had been previously deferred based on the expected manufacturing term of the product, which the Company estimated originally at seven years. During the first quarter of 2025, due to the fact that the Company has not received a purchase order from the Client and did not expect to receive such order, the Company decided to fully derecognize the fulfillment asset and contract liability associated with the Client, in the amount of \$957 thousand and \$1,690 thousand, respectively.
- (2) During the three months ended March 31, 2026, the Company recognized revenues from customization and development services in which the performance obligation is satisfied over time in the amount of \$77 thousand.

b. Unbilled receivables, Contract fulfillment assets and Contract liabilities:

Unbilled receivables represent revenue recognized for goods or services delivered to a customer, but not yet invoiced.

The change in unbilled receivables:

	March 31, 2026	December 31, 2025
	USD in thousands	
Balance at beginning of period	615	185
Contract revenues recognized during the period	34	430
Balance at end of period	649	615

The change in contract fulfillment assets:

	March 31, 2026	December 31, 2025
	USD in thousands	
Balance at beginning of period	-	1,017
Contract costs recognized during the period	-	(1,017)
Balance at end of period	-	-

Contract liabilities include deferred service and advance payments.

The change in contract liabilities:

	March 31, 2026	December 31, 2025
	USD in thousands	
Balance at beginning of period	165	2,075
Deferred revenue relating to new sales	-	178
Revenue recognized during the period	(32)	(2,088)
Balance at end of period	133	165

Remaining Performance Obligations

Remaining Performance Obligations (“RPO”) represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that are expected to be invoiced and recognized as revenue in future periods. As of March 31, 2026, the total RPO amounted to approximately \$14 million.

ODYSIGHT.AI INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – INVENTORY:

Composed as follows:

	March 31, 2026	December 31, 2025
	USD in thousands	
Raw materials and supplies	45	50
Finished goods	268	-
	313	50

During the period ended March 31, 2026, no impairment occurred.

NOTE 8 – LOSS PER SHARE

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

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

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

The following table represents potential ordinary shares outstanding that were excluded from the computation of diluted net loss per share because their effect would have been anti-dilutive:

	March 31, 2026	December 31, 2025
Options	3,520,413	3,340,514
Restricted stock unit	2,084	4,167
Warrants	-	5,763,273
	3,522,497	9,107,954

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

As of March 31, 2026, we received IIA royalty-bearing grants totaling approximately NIS 515,000 (approximately \$130,000).

NOTE 10 – SEGMENT REPORTING

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

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

The table below summarizes the significant expense categories regularly reviewed by the chief operating decision maker, for the three months ended March 31, 2026 and 2025:

	Three months ended March 31,	
	2026	2025
	USD in thousands	
Revenues	82	2,065
Cost of Sales	61	1,520
Research and Development expenses (*)	2,422	2,228
Sales and marketing (*)	822	293
General and Administrative expenses (*)	1,202	1,751
Other segment items:		
Share-based payments	886	806
Depreciation	27	27
Finance income, net	157	295
Net loss	<u>5,181</u>	<u>4,265</u>

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

NOTE 11 – SUBSEQUENT EVENTS

On April 9, 2026, the Company's common stock began trading on the Tel Aviv Stock Exchange ("TASE") under the symbol "ODYS", in addition to its existing listing on the Nasdaq Capital Market. The Company's common stock is traded on TASE in Israeli Shekels.

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

Readers are advised to review the following discussion and analysis of our financial condition and results of operations together with our interim condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and related notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2025. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements". You should review the "Risk Factors" section in this Quarterly Report on Form 10-Q and in our Annual Report for the year ended December 31, 2025 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

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

On December 30, 2019, we acquired all of the issued and outstanding share capital of ScoutCam Ltd. and, on December 31, 2019, we changed our name to ScoutCam Inc. Following this acquisition, we integrated and fully adopted the acquired miniaturized imaging business as our primary business activity. On June 5, 2023, we changed our name to Odysight.ai Inc. On February 11, 2025, our common stock began trading on the Nasdaq Capital Market under the symbol "ODYS" and on April 9, 2026, our common stock began trading on the Tel Aviv Stock Exchange under the ticker symbol "ODYS".

We are a pioneer in the development, production and marketing of innovative visual monitoring artificial intelligence, or AI, solutions that deploy small visual sensors to monitor critical safety components in hard-to-reach locations and harsh environments, across various Predictive Maintenance, or PdM, and Condition Based Monitoring, or CBM, use cases applied both for the civil and defense sectors. We aim to be the industry benchmark for real-time, visual-based machine and infrastructure health monitoring and predictive maintenance analysis through AI and machine learning data analytics.

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

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

Our solutions are already deployed in the industrial, automotive and aviation sectors. Our customers include the Israeli Air Force, the Israeli Ministry of Defense, a global international defense contractor, NASA and Israel Railways Ltd., as well as a leading European provider of elevator monitoring solutions. Historically, our revenue stream was derived mainly from the medical sector.

In February 2025, we closed a public offering, including the exercise of an over-allotment option granted to the underwriter in the public offering. The public offering and the over-allotment option exercise price was \$6.50 per share. In the aggregate, we sold a total of 3,653,124 shares of common stock, generating gross proceeds of approximately \$23.7 million, prior to the deduction of underwriting discounts, commissions and estimated offering expenses. After deducting issuance costs, we received proceeds of approximately \$20.9 million. Also in February 2025, our common stock began trading on the Nasdaq Capital Market under the symbol “ODYS”.

On April 9, 2026, our common stock began trading on TASE under the same symbol “ODYS” following our application to voluntarily list our shares of common stock on the TASE.

Impact of the Ongoing War in Israel on Our Business

On October 7, 2023, the Hamas terrorist organization launched a series of terror attacks on civilian and military targets in southern Israel. Since then, Israel has been involved in an ongoing military campaign and has faced hostilities on multiple fronts, including regular rocket and drone attacks and threats from Hamas in the Gaza Strip, Hezbollah in Lebanon, the Houthi movement in Yemen and other terrorist organizations active in the region. While Israel and Hamas reached a ceasefire framework in October 2025 contemplating a permanent end to that conflict, there is no assurance the agreement will hold. Furthermore, the regional security situation escalated significantly in late February 2026, following preemptive strikes by Israel and the United States against Iranian nuclear and ballistic capabilities. In response, Iran launched missile and drone attacks toward population centers and military installations in Israel, Europe and neighboring countries in the Gulf region, and also launched counter-strikes against U.S. forces and allied bases throughout the Gulf region. In addition, in early March 2026, Hezbollah initiated further missile strikes against Israel, leading to retaliatory strikes and limited ground incursions into Lebanon. On April 8, 2026, the United States and Iran agreed to a temporary ceasefire with the aim of reaching a permanent agreement and ending the war and on April 16, 2026, a cessation of hostilities was announced between Israel and Lebanon. However, the military operation in Lebanon against Hezbollah is still ongoing and the Iran ceasefire remains fragile, with reports of continued military operations by both sides.

The war has had economic, military and social consequences for Israel. While the conflict has not had a material adverse effect on our business to date, we have experienced disruptions to our routine work, including travel limitations and occasional rocket fire requiring employees at our Omer and Ramat Gan offices to take temporary shelter in on-site safe rooms. Pursuant to instructions from Israel’s Home Front Command, our offices were closed on certain days during the recent period of heightened hostilities conflict with Iran and Hezbollah.

Additionally, several of our executives and employees have been called up to military reserve duty, including our chief executive officer, who was subject to reserve duty a few days a month until recent months. To mitigate these effects, we have adopted work-from-home measures, increased employee overtime and utilized third-party outsourcing where necessary.

The ongoing conflict has influenced our commercial environment in the following ways:

- **Customer Prioritization:** During more intense periods of the conflict, including during the recent round of hostilities with Iran, some Israeli clients have prioritized other matters, which has caused occasional delays in finalizing purchase orders and deliveries of existing projects. These delays have had a temporary impact on our business.
- **Defense Technology Interest:** Conversely, due to intensive flight hours flown by the Israeli Air Force and an enhanced Ministry of Defense budget, we have seen growing interest in our technology from Israeli government agencies and R&D programs. This may lead to a more rapid assimilation of our technology into relevant platforms than previously anticipated.
- **International Sentiment:** The war has increased negative sentiments regarding Israel and Israeli companies internationally, including efforts to boycott Israeli goods and services and specific efforts targeting Israeli defense firms. While we have faced challenges, such as initial bans from industry conferences that were later overturned, these efforts have not impacted our participation in such events to date.

Comparison of the three months ended March 31, 2026 and 2025

The following table summarizes our results of operations for the three months period ended March 31, 2026 and 2025, together with the changes in those items in dollars and as a percentage:

	Three months ended		% Change
	March 31,		
	2026	2025	
Revenues	82,000	2,065,000	(96)%
Cost of Revenues	61,000	1,527,000	(96)%
Gross Profit	21,000	538,000	(96)%
Research and development expenses	2,557,000	2,487,000	3%
Sales and marketing expense	962,000	396,000	143%
General and administrative expenses	1,840,000	2,215,000	(17)%
Operating Loss	(5,338,000)	(4,560,000)	17%

Revenues

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

For the three months ended March 31, 2026, we generated revenues of \$82,000, compared to revenues of \$2,065,000 for the three months ended March 31, 2025.

The decrease in revenues was primarily attributable to Q1 2025 derecognition of the contract liability associated with a Fortune 500 medical company customer, in the amount of \$1,690,000, as described in Note 6a(1), and additional decrease of our vision-based solutions for PdM and CBM due to certain delays caused by the geopolitical situation with Iran.

Cost of Revenues

Cost of revenues for the three months ended March 31, 2026 was \$61,000, a decrease of \$1,466,000, or 96%, compared to cost of revenues of \$1,527,000 for the three months ended March 31, 2025.

The decrease in cost of revenues was primarily due to the full derecognition of the fulfillment asset associated with a Fortune 500 medical company customer, in the amount of \$957,000, and to the recognition of an inventory impairment of \$203,000, both incurred during the three months ended March 31, 2025, as described in Note 6a(1) to our interim condensed consolidated financial statements for the three months ended March 31, 2026 and due to a decrease in revenues from our vision-based platform solutions for PdM and CBM, as described above.

Gross Profit

Gross profit for the three months ended March 31, 2026 was \$21,000, a decrease of \$517,000, or 96%, compared to gross profit of \$538,000 for the three months ended March 31, 2025.

The decrease in gross profit was due to the decrease in revenues partially offset by the decrease in cost of revenues, as described above.

Research and Development Expenses

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

Research and development expenses for the three months ended March 31, 2026 were \$2,557,000, an increase of \$70,000, or 3%, compared to \$2,487,000 for the three months ended March 31, 2025.

We expect our research and development expenses to grow modestly as we continue to develop our products and services and recruit additional experts to support our focus on Industry 4.0 solutions (Industry 4.0 refers to the integration of advanced technologies into manufacturing and industrial processes to create smart, interconnected systems for improved efficiency and productivity).

Sales and Marketing Expenses

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

Sales and marketing expenses for the three months ended March 31, 2026 were \$962,000, an increase of \$566,000, or 143%, compared to \$396,000 for the three months ended March 31, 2025.

The increase in sales and marketing expenses was primarily driven by our enhanced global selling and marketing activity, including efforts to penetrate new territories and market verticals and enhance product visibility. This led to higher expenses associated with the recruitment of new workforce and marketing consultants.

We expect that our sales and marketing expenses will increase as we expand our global selling and marketing efforts.

General and Administrative Expenses

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

General and administrative expenses for the three months ended March 31, 2026 were \$1,840,000, a decrease of \$375,000, or 17%, compared to \$2,215,000 for the three months ended March 31, 2025.

The decrease in general and administrative expenses was primarily due to a decrease in expenses related to our fund raising and uplisting to Nasdaq, which occurred during the three months ended March 31, 2025, partially offset by an increase in stock-based compensation.

Operating loss

We incurred an operating loss of \$5,338,000 for the three months ended March 31, 2026, an increase of \$778,000, or 17%, compared to operating loss of \$4,560,000 for the three months ended March 31, 2025.

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

Backlog

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

Our backlog as of March 31, 2026 was approximately 14.0 million compared to approximately \$13.8 million as of December 31, 2025.

Cash Flows

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

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

	Three months ended March 31,	
	2026	2025
Cash used in Operating Activity	(4,254,000)	(2,233,000)
Cash provided by (used in) Investing Activity	(6,000)	283,000
Cash provided by Financing Activity	32,000	21,022,000

Operating Activities

During the three months ended March 31, 2026, cash used in operating activities was \$4.3 million, consisting of net loss of \$5.2 million and a non-cash benefit of \$0.9 million. Our non-cash benefit consisted primarily of non-cash charges for stock-based compensation.

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

Investing Activities

During the three months ended March 31, 2026, cash used in investing activities was \$6,000, consisting of purchase of property and equipment.

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

Financing Activities

During the three months ended March 31, 2026, cash provided by financing activities was \$32,000, consisting of cash proceeds from options exercises.

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

Liquidity and Capital Resources

Overview

As of March 31, 2026, we had cash and cash equivalents of \$21.8 million compared to cash and cash equivalents and restricted cash of \$26.0 million as of December 31, 2025. In addition, as of March 31, 2026, we incurred an accumulated deficit of \$68.2 million compared to \$63.0 million as of December 31, 2025.

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

Additional Cash Requirements

We plan to continue to invest in long-term growth, and therefore we expect that our expenses will continue to grow. We currently believe that our existing cash and cash equivalents will allow us to fund our operating plan through the at least the next 12 months from the date of this Quarterly Report on Form 10-Q. Our expenses may increase in connection with our ongoing activities, particularly as we continue our commercialization efforts, research and development and the scale up of our solutions. We expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Furthermore, we will continue to incur additional costs associated with operating as a public company. Accordingly, we may need to raise additional capital before we become profitable from sales of our solutions and may do so to expand our business, pursue strategic investments, take advantage of financing opportunities or for other reasons. We may raise these funds through equity financing, debt financing or other sources, which may result in further dilution in the equity ownership of our common stock. There is no assurance that we will be able to maintain operations at a level sufficient for investors to obtain a return on their investment in our common stock, or that we will be able to raise sufficient capital required to implement our business plan on acceptable terms, if at all. Even if we are successful in raising sufficient capital to implement our business plan, we will, most likely, continue to be unprofitable for the foreseeable future. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

Contractual Obligations and Commitments

Operating lease payments represent our commitment for future payments under leases for our offices in Israel and for vehicle leasing. The total future payments for our operating lease obligation as of March 31, 2026 were approximately \$838 thousand. For additional details regarding our lease, see Note 3 to our interim consolidated condensed financial statements for the three months ended March 31, 2026.

Our lease for approximately 800 square meters of office, manufacturing and laboratory space in Omer, Israel is set to expire in May 2026, at which time we have leased an alternative location in Omer consisting of approximately 286 square meters of space.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

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

No change in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(e), occurred during the fiscal quarter ended March 31, 2026 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS.

Except for the additional risk factors provided below, there have been no material changes from the information set forth in “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2025, as filed with the SEC on March 19, 2026.

The dual listing of our common stock on Nasdaq and the TASE may result in price variations that could adversely affect liquidity of the market for our common stock.

Our common stock is listed and trades on both Nasdaq and the TASE. The dual listing may result in price variations of our common stock between the two exchanges due to various factors, including the use of different currencies and the different days and hours of trading for the two exchanges. Any decrease in the trading price of our common stock in one market could cause a decrease in the trading price on the other market. In addition, the dual listing may adversely affect liquidity and trading prices on one or both of the exchanges as a result of circumstances that may be beyond our control. For example, transfers by holders of our securities from trading on one exchange to the other could result in increases or decreases in liquidity and or trading prices on either or both of the exchanges. Holders could also seek to sell or buy our common stock to take advantage of any price differences between the two markets through a practice referred to as arbitrage. Any such arbitrage activity could create volatility in both the price and volume of trading of our common stock.

The existing mechanism for the dual listing of securities on Nasdaq and the TASE may be eliminated or modified in a manner that may subject us to additional regulatory burden and additional costs.

The current Israeli regulatory regime provides a mechanism for the dual listing of securities traded on Nasdaq and the TASE that does not impose any significant regulatory burden or significant costs on us. If this dual-listing regime is eliminated or modified, it may become more difficult for us to comply with the regulatory requirements, and this could result in additional costs. In such event, we may consider delisting of our common stock from the TASE.

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

During the three months ended March 31, 2026, we did not have any sales of unregistered securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

On May 13, 2026, the Board of Directors approved the appointment of Mr. Ronen Tanami as the Company’s Chief Operating Officer. Mr. Tanami, who has served as the Company’s interim VP R&D since January 1, 2026, will transition to his new position effective immediately. In connection with his appointment, the Company entered into an employment agreement with Mr. Tanami on December 31, 2025 that provides for an initial gross monthly salary of NIS 62,500. Following the completion of one year of service, Mr. Tanami’s monthly salary will increase to NIS 65,000. The employment agreement also provides that Mr. Tanami may be eligible to receive an annual special performance bonus of up to three monthly salaries, subject to Company performance and the achievement of annual objectives, in each case subject to the discretion of the CEO and approval by the Board of Directors. Under the employment agreement, the Company will recommend that the Board of Directors grant Mr. Tanami options to purchase 60,000 shares of common stock. In connection with his appointment as Chief Operating Officer, Mr. Tanami will also be entitled to a one-time grant of options to purchase an additional 40,000 shares of common stock. The grant of all such options, as well as the terms and conditions thereof, shall be subject to the discretion of the Board of Directors. Mr. Tanami will also receive additional benefits customary for an executive officer of his experience and standing, including pension arrangements, study fund contributions and convalescence pay.

In February 2026, the Board of Directors approved the grant of 70,000 options to Mr. Tanami.

During the quarter ended March 31, 2026, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (in each case, as defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS.

(a) The following documents are filed as exhibits to this Quarterly Report on Form 10-Q or incorporated by reference herein.

Exhibit Number	Description
3.1.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1.1 to our Form S-1 filed with the SEC on July 17, 2023)
3.2.1	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed with the SEC on June 8, 2023)
10.1*	Employment Agreement of Ronen Tanami, dated December 31, 2025
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH	Inline XBRL Instance Document
101.INS	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

104 Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 14, 2026

ODYSIGHT.AI INC.

By: /s/ Yehu Ofer _____

Name: Yehu Ofer

Title: Chief Executive Officer
Odysight.ai Inc.

By: /s/ Einav Brenner _____

Name: Einav Brenner

Title: Chief Financial Officer
Odysight.ai Inc.

Exhibit 10.1

Employment Agreement

December 31, 2025

Between: Odysight.ai Ltd., Company No. 515950400

Of 7A Gan Hata'asiya St., Omer, Israel

And: Ronen Tanami

Address: * * * (the "Employee")

Employment and Compensation

1. The Parties wish to enter into an employment agreement for an unfixed period, in accordance with the conditions and provisions of this Employment Agreement. The date of commencement of the Employee's employment, his job, his direct supervisor and other issues relating to the conditions of the Employee's employment, including consideration, are set out in Appendix A, which is attached hereto.
 2. In the performance of his job, the Employee shall devote all of his time, attention, ability and effort exclusively for the performance of his duties at the Company and he undertakes not to engage, either as an employee or otherwise, in any business, commercial or professional activities, either for consideration or otherwise, during the term of his employment, without receiving the Company's prior written consent to such. The provisions of this section shall not derogate from the Employee's undertakings as set out in Appendix B which is attached hereto.
 3. Each party shall be entitled to rescind this Agreement at any time, by giving prior notice as set out in Appendix A below, and subject to any law.
 4. Notwithstanding the provisions of section 3 above, and without derogating from its rights under this Agreement or under any law, the Company shall be entitled to terminate the employment of the Employee without prior notice, upon the occurrence of one of the following cases: (a) breach of the Employee's fiduciary duty, intentional damage to the Company's property, dealing in competing activity or any breach of Appendix B below; or (b) a fundamental breach of the provisions of this Agreement on condition that the Employee has not remedied the breach (to the extent that it can be remedied) within 7 days of receipt of a warning from the Company; or (c) indictment of the Employee for a criminal offense (except for a fine-related offense) or for involvement in sexual harassment incidentally to the Employee's employment at the Company; or (d) the Employee has put himself in a position of conflict of interests; or (e) any other circumstance in respect of which it is legally permissible to fire an employee without the giving of prior notice.
 5. The Employee shall not have a right of lien over the assets, equipment or any other of the Company's property that might be in his possession. The Employee shall return all of the Company's property that is in his possession not later than the date of termination of employer-employee relations, prior to his taking any unpaid leave or within 7 days of receipt of a demand to do so from the Company.
 6. The provisions of this Agreement shall not derogate from any right afforded to the Employee under any law, extension order, collective agreement, employment contract or any other contract relating to the conditions of his employment.
 7. Together with the execution of this Agreement, the Employee shall sign an undertaking to the Company regarding confidentiality, prohibition of unfair competition, and title to inventions, which is attached hereto as Appendix B.
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Representations and Undertakings of the Employee

The Employee declares and undertakes as follows:

8. He has the ability, skills and knowledge that are necessary for the performance of his Job pursuant to this Agreement and he does not suffer from any physical or mental health deficiency that might unreasonably prevent or impede him in the performance of his job and his other obligations under this Agreement.
 9. He is not bound by any undertaking or other agreement whatsoever that might restrict or prevent him from entering into this Agreement and performing his undertakings hereunder. By executing this Agreement and performing his job, he is not and will not be in breach of, or in a conflict of interests with: (1) the rights of his previous employers or his undertakings to them; or (2) his undertakings under any other document to which he is a party or which binds him.
 10. He shall give notice to the Company, immediately, of any matter or subject in respect of which he or his close family might have a personal interest or that might generate a conflict of interest with his job and employment at the Company.
 11. He shall not receive any beneficial interest from any third party, directly or indirectly, with respect to his employment. Should the Employee breach this undertaking, then without derogating from the rest of the Company's rights, the beneficial interest or the value thereof shall be the property of the Company alone, and the Employee hereby grants the Company leave to deduct the value of the beneficial interest from any sum that may be owing to the Employee from it. This section shall not apply to gifts or benefits of a marginal value.
 12. In the context of his employment, he shall not act in contravention of the signature rights that are prescribed by the Company.
 13. He agrees and confirms that from time to time, he might be required to travel and stay overseas in the framework of his job.
 14. For the purpose of performance of his job, the Company may provide the Employee with a computer, hardware, software and an email address a ("**Computers**") which shall be the exclusive property of the Company. Subject to the Company's procedures in this regard, and without derogating from his undertakings and the performance of his job pursuant to this Agreement, the Employee shall be entitled to make reasonable, private use of the Computers provided that the Employee shall not be entitled to store private files on the Computers (except for private folders that are prominently marked as such) and shall not be entitled to store Company files on private storage measures. It is clarified that the professional email address shall be used for professional purposes only, whilst the Employee shall be entitled, for private purposes, to use external email services (such as gmail).
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15. The Employee is aware and agrees that: (1) the Company may allow other employees and third parties to make use of the Computers; (2) in order to preserving its legitimate interests, the Company may monitor the activities on the Computers, including the usage log and the contents of email and internet correspondence, which shall be admissible as evidence in legal proceedings; (3) in light of the Employee's undertakings above, the Employee shall not have a right to privacy with respect to the contents of the Computers, with the exception of private folder that have been prominently marked as such.
16. The Employee is aware and agrees that the information about him and about the conditions of his employment which may be accrued and documented by the Company (the "Information") may be provided to third parties, including outside of Israel, on condition that: (a) such transfer is effected for the purpose of the performance of some relevant legal provision or for the purpose of the Company's business (including any transactions related thereto); (b) no information shall be provided beyond what is necessary and reasonable; (c) the party to which the information is provided shall undertake to the Company, to the extent that such is possible and relevant, that it shall maintain the privacy of the information at a level of protection that is at least that which is employed by the Company with respect to the information.
17. In the event of rescission of this Agreement, for any reason whatsoever, the Employee shall cooperate with the Company and shall make best endeavors to assist in the orderly transition of his job at the Company, and in the orderly overlap between him and the person or persons due to replace him in his job.

General Provisions

18. This Agreement and the Appendixes hereto constitute the full agreement between the Parties and prevail over any prior agreement, offer, understanding, correspondence, content, conversation or arrangement, whether in writing or oral, if any, between the Parties, with respect to the conditions of the Employee's employment. Any matter not expressly regulated in this Agreement shall be in accordance with the law. Any amendment and/or addition to this Agreement shall bind the Parties to this Agreement and shall only be in force if it is in writing and signed by the Parties.
19. Israeli law shall apply to this Agreement. The competent courts / tribunals in the city of Tel Aviv Yafo shall have exclusive jurisdiction with respect to any matter stemming from this Agreement or with respect to this Agreement.
20. All notices must be sent by one party to the other by registered mail, by email or by hand delivery to the address at the top of this Agreement or to such other address as a Party may notify. Any notice shall be deemed to have been received by the recipient: if sent by registered mail – 4 business days after dispatch; if sent by email – one business day after dispatch provided that an automatic confirmation is obtained from the server that the notice reached its destination; if delivered by hand – upon delivery provided that a "certificate of delivery" is received.

The Employee declares that: (1) he has read carefully and has understood all of the provisions of the Agreement and the Appendixes hereto; (2) he has been given a reasonable opportunity to consult with third parties, including with an advocate; (3) he has signed this Agreement with full volition and consent.

In witness whereof, the Parties have hereunto set their hands:

The Employee: /s/ Ronen Tanami

The Company: /s/ Einav Brenner

 /s/ Yehu Ofer

Appendix A – Conditions of Employment

1. **Date of Commencement, Job and Supervisor** – The Employee’s employment shall commence on January 1, 2026 (the “**Commencement Date**”), in a full-time position of Interim VP R&D with a target to become Chief Operating Officer (COO), subject to the CEO the Board of Directors approval, and following completion of at least three (3) consecutive months of actual work (excluding any period of prior notice, whether given by the Employee or the Company, as well as any unpaid leave) as of the Commencement Date.
 2. **Prior Notice** – 60 days. Notice shall be given in writing, however, even if notice is not given in writing as aforesaid, the Employee shall be deemed to have resigned if he gives clear notice in such regard.
 3. **Salary** – A gross monthly salary of NIS 62,500 (the “Salary”). Any payment or bonus that are granted to the Manager pursuant to this Appendix, apart from the Salary, shall not be deemed to be a salary for any purpose whatsoever, and the Manager shall not be able to argue otherwise. The Salary shall be paid on the lawful date.

Following the completion of twelve (12) consecutive months of actual work (excluding any period of prior notice, whether given by the Employee or the Company, as well as any unpaid leave) as of the Commencement Date, the Employee’s salary shall increase to a total gross amount of NIS 65,000.
 4. **Pension Arrangements** – The Company shall insure the Employee under a pension arrangement of his choice (insurance fund, pension fund or a combination of the two), in accordance with the rates and conditions that are set out below:
 - 4.1. **Insurance fund (“executive insurance”)** – in accordance with the following components:
 - 4.1.1. Insurance for loss of capacity to work – the Company shall, at its own expense and from an insurer of its choice, purchase coverage in the event of loss of capacity to work with the usual and acceptable conditions, at the rate that is necessary for the insurance of 75% of the Salary. The Company’s payment for insurance for loss of capacity to work shall not, in any event, be greater than 2.5% of the Salary.
 - 4.1.2. The Company’s provisions for severance pay - 8¹/3% of the Salary.
 - 4.1.3. The Company’s provisions for compensation – the difference between 6.5% of the Salary and the Company’s payment for insurance for loss of capacity to work, provided that in any event, the Company’s provisions for compensation shall not be less than 5% of the Salary.
 - 4.1.4. The Employee’s provisions for compensation – 6% of the Salary.
 - 4.2. **Pension fund** – in accordance with the following components: The Company’s provisions for severance pay – 8.33% of the Salary; the Company’s provisions for compensation - 6.5% of the Salary; the Employee’s provisions for compensation - 6% of the Salary.
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5. **Release of Pension Funds** – The Parties adopt the provisions of the General Authorization regarding Employer Payments into Pension Funds and Insurance Funds in lieu of Severance Pay, which was issued pursuant to the Severance Pay Law, 5723-1963, as is in force from time to time, a copy of which is attached to this Agreement as **Appendix C**. The Company hereby waives its right to a refund of the monies that it paid to the Pension Fund and/or to an executive insurance policy unless the Employee's right to severance pay is repudiated in a judgment pursuant to sections 16 and 17 of the Severance Pay Law, 5723-1963 (in accordance with the provisions thereof), or if the Employee withdraws monies from the pension fund and/or executive insurance policy, other than due to an "entitling event". For this purpose, an "entitling event": death, disability or retirement at age sixty or above. The Employee declares, confirms and undertakes that the Company's provisions for the executive insurance policy or pension fund shall stand in place of all of the severance pay owing to him if any, pursuant to section 14 of the Severance Pay Law, 5723-1963, and in accordance with the General Authorization referred to above.
 6. **Study Fund** – The Company and the Employee shall maintain a study fund for the Employee to which the Company shall contribute, on a monthly basis, an amount equal to 7.5% of Salary to Study Fund (as defined below) (the "Company Portion") and the Employee shall contribute on a monthly basis an amount equal to 2.5% of Salary to Study Fund (the "Employee Portion"). Provided that the contributions according to this section shall not exceed the maximum tax-exempt ceiling for a Study Fund pursuant to the Income Tax Ordinance [New Version] – 1961 (the "Salary to Study Fund"). The Employee hereby instructs the Company to transfer the Employee Portion to the selected Study Fund. In the event that the Company Portion and Employee Portion exceed the maximum tax-exempt ceiling for Study Fund contributions, the exceeding amounts shall be recognized as ordinary income for tax purposes, on the date of their contribution to the selected Study Fund.
 7. **Vacation** – The Employee shall be entitled to leave of 24 days of work for each period of twelve (12) months of employment (the "Annual Quota") but in any event, not less than that which is set out in the Annual Leave Law, 5711-1951, as such may be from time to time (the "Annual Leave Law"). The Company encourages its employees to take leave and to use up the entire Annual Quota of leave days. However, the Employee shall be entitled to accrue vacation days in a quantity of not more than twice the Annual Quota (the "Accrual Quota"). Vacation days beyond the Accrual Quota shall be deleted without the Employee being given compensation for such. The dates for taking vacations shall be prescribed by the Company at its discretion, in accordance with its possibilities and needs, and where possible, taking into account the Employee's wishes. The Company shall be entitled to decide on a uniform annual leave period for all or some of its employees, with respect to some or all of their annual leave quota, as it may see fit.
 8. **Sick Pay**– The Employee shall be entitled to the payment of sick pay in accordance with the provisions of the Sick Pay Law, 5736-1976. Notwithstanding the aforesaid, according to the Company's policy, which may change from time to time, you will be entitled to your full Salary from the first day of your sick leave, is contingent upon the submission of a valid medical certificate.
 9. **Convalescence Pay** – The Employee shall be entitled to payment of convalescence pay in accordance with the Extension Order regarding Payment of Convalescence Pay.
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10. **Options** - Following the execution of this Employment Agreement, and conditional upon the continuance of Employee engagement with the Company, the Company will recommend to the Board of Directors of the Odysight.ai Inc. the Company's parent company ("Parent") to grant to Employee an aggregate of options to purchase a total of 60,000 common stock of the Parent (the "**Options**"). The grant of the Options as well as the terms and conditions applicable thereto shall be subject to the sole discretion of the board of directors of the Parent and shall be subject to the provisions of the applicable equity plan under which the Options will be granted and the respective option agreement. The grant of any Options shall be further conditional upon the receipt of all approvals required under any applicable law including any applicable tax laws, and the execution and delivery by Employee of an option agreement and all other instruments required by the board of directors of the Parent with respect to such Options. For the avoidance of doubt, it is clarified that any taxes due with respect to the Options and participation in the equity plan shall be borne solely by Employee and that the Company and the Parent shall be entitled to withhold tax in respect of such Options as it deems required under applicable law. It is further clarified that nothing herein is intended to constitute a grant of, or entitle Employee to, the Options or any other rights with respect to the share capital of the Parent, and the only obligation of the Company hereunder is to make the recommendation referred to above.

Following entering the position of COO, the Employee will be entitled to receive a one-time grant of Options to purchase additional 40,000 common stock, with vesting commencement date equal to the employment Commencement Date. The grant of the Options, as well as the terms and conditions applicable thereto, shall be subject to the sole discretion of the Company Board of Directors and shall be subject to the provisions of the applicable equity plan under which the Options will be granted and the respective option agreement.

11. **Special Performance Bonus** - Beginning with the Company report of its annual results at the end of the first year following the Commencement Date and onwards, you may be eligible to receive a special performance bonus of up to three (3) monthly payrolls. The decision whether to grant a special performance bonus and the actual amount of any special performance bonus awarded in any given year shall be determined by the Company's CEO, in the CEO's sole discretion and subject to the approval of the Company's Board of Directors, considering (i) whether the Employee achieved the objectives set by the Company each year, and (ii) the Company's performance, each of such factors to be determined by the CEO in the CEO's sole discretion. Any special performance bonus, if approved, will be paid only after the Company reports its annual results around March of each year. To avoid any doubt, the bonus is a conditional payment and shall not be subject to any social benefits.
12. **Taxes and Mandatory Payments** – All of the payments and benefits provided to you under this Employment Agreement are gross amounts and shall be subject to the withholding of all applicable taxes and deductions required by any applicable law.

The Employee: /s/ Ronen Tanami

The Company: /s/ Einav Brenner

 /s/ Yehu Ofer

Appendix B – Deed of Undertaking

This Deed of Undertaking was executed on December __, 2025 by Ronen Tanami, ID no. * * *, of _____, Israel (hereinafter: the "Employee").

Since the Employee wishes to enter into an employment agreement with Odysight.ai Ltd. (the "**Company**") and since the preservation of the Confidential Information (as defined below), the Company's rights in Inventions (as defined below) and in all of the intellectual property rights auxiliary to such, are essential to the Company, the Employee is executing this Undertaking as a condition of his employment by the Company, and he undertakes to perform it verbatim.

In this Deed of Undertaking, all of the Employee's undertakings to the Company shall be made to any parent companies, subsidiaries, sister companies and related companies to the Company, directly or indirectly, and the substitutes or transferees of such companies.

Confidential Information

1. The Employee recognizes the fact that he has and that he will have access to information that is confidential in nature (whether marked as such or not), that is related to the Company, including with respect to its commercial secrets, professional knowledge, technology, products (including products under development), research and development, experiments, formulas and processes, inventions, business, assets, financial condition, contracts and undertakings, obligations, operations, marketing and sales promotion issues, plans (including business and financial plans), strategies, procedures, forecasts, customers, suppliers, business partners and third parties to whom the Company has undertaken to keep information confidential and information relating to its employees, consultants, office bearers, directors and shareholders (all hereinafter jointly: the "**Confidential Information**"). The Confidential Information might be in any form whatsoever, including in writing, oral or on a magnetic or electronic medium. Confidential Information shall not include information that has come into the public domain as a result of a breach of this Deed of Undertaking by the Employee or information which the Employee is required to disclose pursuant to the legal demand of a competent authority, on condition that: (a) the Employee gives notice to the Company of such demand, immediately; (b) the Employee cooperates with the Company, if necessary, in order to reduce the scope of the demand; (c) the Employee does not disclose it beyond his duty to disclose in accordance with the aforesaid demand.
 2. During the term of his employment and at all times thereafter, without any limitation in time, the Employee shall strictly preserve the Confidential Information and shall ensure its confidentiality, and shall not disclose the Confidential Information to any person or entity and shall not use the Confidential Information other than for the Company's benefit. The Employee recognizes and understands that his work at the Company and his access to the Confidential Information give rise to a relationship of trust with respect to such Confidential Information.
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3. The Employee declares that he has been made aware that all of the rights in the Confidential Information are the exclusive property of the Company (or of the third party to which the Company has undertaken to keep the Information confidential). Without derogating from the generality of the aforesaid, the Employee agrees that all of the Confidential Information that was prepared, collected, processed, received, kept or was in his use with respect to his employment in the Company (the "Material") shall be the exclusive property of the Company and shall be deemed to be Confidential Information. Everything relating to the Material, including originals, copies and summaries, shall be transferred by the Employee to the Company upon termination of the term of his employment or at any time prior to such at the Company's demand, without the Employee keeping any copies of the above and without the Employee having a right of lien over them. The Employee shall not remove the Material from the Company, unless such is required by virtue of his job and for the purpose of his employment, and unless such is permitted in accordance with the Company's procedures. If the Material is removed from the Company's offices as set out above, the Director shall take all of the necessary measures in order to maintain absolute confidentiality of the Material and shall return such to its place immediately after such use.
4. Unless there is a lawful permit or approval for such, the Employee shall not use nor disclose Confidential Information or commercial secrets belonging to any third parties including to previous employers, towards which the Employee has a duty of confidentiality or non-use (including any academic institution or any related entity).

Unfair Competition and Prohibited Solicitation

5. The Employee undertakes that during the course of his employment at the Company, he shall not contract, set up, open or be in any way involved, directly or indirectly, either as an employee, owner, partner, agent, shareholder, director, adviser or in any other many, any business, occupation, employment or any other activity that is in competition with the Company's business.

The Employee undertakes that during the period of 12 months following termination of his employment at the Company for any reason whatsoever, he shall not contract, set up, open or be in any way involved, directly or indirectly, either as an employee, owner, partner, agent, shareholder, director, adviser or in any other many, any business, occupation, employment or any other activity that is in which might reasonably include or require use of the Confidential Information. The Employee hereby confirms that it is reasonable that any engagement, set-up, opening or involvement, directly or indirectly, whether as an employee, owner, partner, agent, shareholder, director, adviser or in any other capacity, of any business, profession, employment or any other activity that is in competition with the Company's business, as such was during the term of the Employee's employment, or with the Company's business as planned during the term of his employment, might require the use of all or part of the Confidential Information.

The Employee agrees that in light of his position at the Company and his exposure to the Confidential Information, the provisions of this section 5 are reasonable and necessary for the purpose of lawfully protecting the Confidential Information, which constitutes a principal asset of the Company and he undertakes to perform such as a condition of his employment by the Company. The Employee declares that he has carefully read the provisions of this undertaking, that he understands the outcome of this undertaking and agrees to the provisions hereof, and that he has assessed the advantages and disadvantages involved in entry into this undertaking for himself.

The Employee hereby declares that he is aware that part of his Salary contains additional consideration that is being provided for the Employee's undertaking under this non-competition stipulation. Without derogating from the aforesaid, the Employee declares that he has the financial capability to enter into this non-competition undertaking.

6. The Employee undertakes that during the course of his employment at the Company and for a period of 12 months thereafter, he shall not solicit, persuade or try to persuade any employee of the Company to cease his employment at the Company or to reduce the scope of his employment at the Company, and that he shall not employ such an employee. Furthermore, the Employee shall not solicit, persuade, try to solicit or try to persuade, directly or indirectly, any consultant, service provider, agent, distributor, customer or supplier of the Company to terminate, reduce or alter their relationship with Company. All of the above shall apply both directly and indirectly.
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Title to Inventions

7. The Employee shall give notice and shall transfer to the Company or to whomever is appointed for such on its behalf with all inventions, improvements, enhancements, formulas, processes, techniques, professional knowledge and technological information, whether able to be registered as a patent, as copyright or any similar law or not, which come into being, are invented, made, developed or raised as an idea or implemented, or which may be deduced by the Employee alone or jointly with others, during the course of the Employee's employment at the Company (including after business hours, on weekends, or during vacations) (all of the aforesaid shall hereinafter be defined as: "**Inventions**" or the "**Invention**"), immediately upon discovery, receipt, generation or invention thereof, as the case may be.
 8. The Employee agrees that any Inventions, as of the date of their invention or creation shall be the Inventions of the Company, shall be the exclusive property of the Company and its transferees, and the Company and its transferees shall be the exclusive owners of all of the property, rights and interests in the patents, copyright, commercial secrets and all of the other rights of any kind whatsoever, including moral rights with respect to the Inventions. The Employee hereby irrevocably and unconditionally assigns all of the rights set out below with respect to all of the Inventions to the Company: (1) all property, rights and interests in patents, patent applications and patent rights, extensions or expansions thereof; (2) rights related to a work, including copyright or applications for copyright, moral rights (as defined below) and proprietary rights in design; (3) rights related to the protection of commercial secrets and confidential information; (4) designs and the rights related thereto; (5) other proprietary rights related to intangible assets including trademarks, service marks and the implementation thereof, commercial names and packaging, and all of the goodwill related to them; (6) any property, rights and interests in any Invention; and (7) rights to sue for breach of any of the rights set out above and the right to revenues, royalties and other payments for the rights set out above. The Employee hereby waives all of the moral rights (as defined below) that it might have with respect to the Inventions, even after termination of his employment at the Company, and agrees never to sue with respect to such rights. "**Moral rights**" shall mean any right of an author to claim that his name be mentioned on his work, any right to object to any change in the work and any similar right that exists under any law in any country in the world, or under any treaty.
 9. The Employee has attached hereto as Appendix B1, a list of all of the Inventions, enhancements, improvements, formulas, processes, techniques, professional knowledge and technological information, whether able to be registered as a patent, as copyright or under any similar law, or not, and whether in fact implemented or not, original works and commercial secrets created or conceived or belonging to the Employee (whether generated by the Employee alone or jointly with others), which: (1) were developed by the Employee prior to his contract with the Company (hereinafter jointly: the "**Previous Inventions**"); (2) are related to the existing or planned business, products or research and development of the Company; and (3) are not assigned in favor of the Company pursuant to this Agreement; or, if the aforesaid **Appendix B1** is missing or not attached at all, the Employee hereby declares that no such Previous Inventions exist.
 10. The Employee undertakes that during the term of his employment at the Company and thereafter, he shall take all of the actions reasonably necessary or required by the Company and he shall assist the Company, at its expense, in any way that it may request, in order to register, preserve, protect and enforce the Inventions in all countries around the world. These actions shall include, inter alia, the execution of documents and assistance in legal proceedings. The Employee hereby irrevocably authorizes and appoints the Company or a person appointed on its behalf as attorney for the Employee to act in his stead and in his place, to sign any document, to submit it and to do any other action on behalf of the Employee which may be permitted under any law in order to enable the registration, preservation, protection and enforcement of the Inventions in all countries around the world.
 11. The Employee shall not be entitled with respect to the above to any monetary or other consideration apart from that set out expressly in his Employment Agreement or beyond the provisions of any other special agreement or arrangement in this regard made in writing and signed by the Company. Without derogating from the generality of the aforesaid, the Employee irrevocably confirms that the consideration paid to the Employee under the express conditions of this Employment Agreement shall be in lieu of any right that the Employee might have been entitled to receive by law for payment for the Inventions and the Employee hereby waives any right to receive royalties or any other payment for the Inventions, including under section 134 of the Patents Law, 5727-1967. With respect to the above, no arrangement, contract or agreement made orally or in writing shall have any effect unless such is in writing and lawfully signed by the Company.
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Appendix C**General Authorization (Consolidated Version) regarding Employer
Payments into Pension Funds and Insurance Funds in lieu of
Severance Pay****Pursuant to the Severance Pay Law, 5723-1963**

By virtue of my authority pursuant to section 14 of the Severance Pay Law, 5723-1963, (hereinafter: the "Law"), I authorize that payments made by the Employer as of the date of publication of this Certificate, for the Employee, into a comprehensive pension in an annuity fund which is not an insurance fund as defined in the Income Tax (Rules for Approval of and Management of Pension Funds) Regulations, 5724-1964 (hereinafter: a "Pension Fund"), or into an executive insurance policy which includes the ability to pay an annuity or a combination of payments into an annuity plan and a plan which is not an annuity plan, into such insurance fund (hereinafter: an "Insurance Fund"), including payments made by combining payments into a Pension Fund and an Insurance Fund, whether the Insurance Fund contains an annuity plan or not (hereinafter: "Employer Payments") shall stand in lieu of the severance pay owing on the Salary out of which the aforesaid payments are made, and for the period paid (hereinafter: the "Severance Salary"), provided that all of the above exist:

1. Employer's payments –
 - (a) Into a Pension Fund shall be no less than $14\frac{1}{3}\%$ of the Severance Salary or 12% of the Severance Salary if the Employer also makes payments for the Employee, in addition to the above, for supplementation of severance pay into a severance pay pension fund or an Insurance Fund in the Employee's name in the rate of $2\frac{1}{3}\%$ of the Severance Salary. Where the Employer has not paid the aforesaid $2\frac{1}{3}\%$ in addition to the 12%, the Employer's payments shall stand in lieu of 72% of the Employee's severance pay only;
 - (b) Into an Insurance Fund are no less than one of the following:
 - (1) $13\frac{1}{3}\%$ of the Severance Salary, if the Employer pays for the Employee, in addition to the above, for monthly salary assurance in the event of loss of capacity to work, under a plan approved by the Commissioner for Capital Markets, Insurance and Savings at the Ministry of Finance, in the rate required to assure 75% of the Severance Salary at least, or in the rate $2\frac{1}{2}\%$ of the Severance Salary, whichever is the lesser (hereinafter: "Payment for Insurance of Loss of Capacity to Work");
 - (2) 11% of the Severance Salary, if the Employer also makes payment for insurance for loss of capacity to work, in which case the Employer's payments shall be in lieu of 72% of the Employee's severance pay, only; should the Employer make payments to supplement severance pay in addition to the above into a Pension Fund or Insurance Fund for severance pay in the Employee's name, in the rate of $2\frac{1}{3}\%$ of the Severance Salary, the Employer's payments shall be in lieu of 100% of the Employee's severance pay.
2. No more than 3 months after the commencement of the Employer's payments, a written agreement is entered into between the Employer and the Employee containing:
 - A. The Employee's consent to an arrangement under this Authorization in a form setting out the Employer's payments to the Pension Fund or Insurance Fund, as the case may be; such agreement shall also contain the wording of this Authorization;
 - B. A waiver by the Employer in advance of any right that it may have to restitution of the monies from its payments, unless the Employee's right to severance pay is repudiated in a judgment under sections 16 and 17 of the Law, and to the extent so repudiated, or that the Employee has withdrawn monies from the Pension Fund or the Insurance Fund not due to an entitling event; in this regard, "entitling event" – death, disability or retirement at the age of 60 or more.
 - C. This Authorization shall not derogate from an employee's right to severance pay under the Law, under a collective agreement, extension order or employment contract, in respect of salary above the exempt salary.

(Eliyahu Yishai)

The Employee: /s/ Ronen TanamiThe Company: /s/ Einav Brenner/s/ Yehu Ofer

Exhibit 31.1

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

I, Yehu Ofer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2026 of Odysight.ai. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2026

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

Exhibit 31.2

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

I, Einav Brenner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2026, of Odysight.ai. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2026

/s/ Einav Brenner

Einav Brenner
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Odysight.ai. Inc. (the "Company") for the period ended March 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yehu Ofer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2026

/s/ Yehu Ofer

Yehu Ofer
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Odysight.ai. Inc. (the "Company") for the period ended March 31, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Einav Brenner, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2026

/s/ Einav Brenner

Einav Brenner
Chief Financial Officer
(Principal Financial Officer)
