Q2 QUARTERLY REPORT

For the thirteen weeks
ended August 28, 2026



ENVIRONMENTAL TECTONICS CORPORATION

Quarterly Report
For the thirteen weeks ended August 28, 2026

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(Address of Issuer's Principal Executive Office)

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Item numbers above refer to the OTCID Disclosure Guidelines created by the OTC Markets Group. The OTCID Disclosure Guidelines are available on the Internet at https://www.otcmarkets.com/file/company/financial-report/524545/content

When used in this Quarterly Report, except where the context otherwise requires, the terms "we", "us", "our", "ETC", and the "Company" refer to Environmental Tectonics Corporation and its subsidiaries.

Item 2. Security Information

Trading symbol:	ETCC	
CUSIP:	294092	
Title of class of securities outstanding:	Common Stock	Preferred Stock, Series E
Par value:	$0.05	$0.05 (Stated value of $1,000)
Total shares authorized:	50,000,000 as of August 28, 2026	25,000 as of August 28, 2026
Total shares outstanding:	9,578,567 as of August 28, 2026	12,127 as of August 28, 2026

Transfer Agent:

Equiniti Trust Company, LLC ("EQ") *
55 Challenger Road, Floor 2
Ridgefield Park, NJ 07660
Telephone: (800) 468-9716
Website: www.equiniti.com

* registered under the Exchange Act

List any restrictions on the transfer of security: N/A
Describe any trading suspension: N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past twelve months:

On September 10, 2026, the Company completed the sale of 100% of the equity interest of its wholly owned Polish subsidiary, ETC-PZL Aerospace Industries sp. z.o.o ("ETC-PZL).

We have never paid any cash dividends on our Common Stock and do not anticipate that any cash dividends will be declared or paid on our Common Stock in the foreseeable future.

Dividends on the Company's Preferred Stock, as declared, are accrued according to the terms of the Preferred Stock and when paid, are paid in cash. The Preferred Stock is currently entitled to receive cumulative dividends at the rate of four percent (4%) per year in preference to the holders of the Company's Common Stock with respect to dividends. Series E Preferred Stock dividends accrued as of August 28, 2026, which totaled $6,558 thousand, remained unpaid as of October 19, 2026, the date of issuance of the accompanying interim consolidated financial statements.

Item 3. Issuance History

A. The nature of each offering of Common Stock in the last two fiscal years:

Date	Shareholder	Shares	Transaction	Value
November 14, 2024	ETCC Employee	5,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 6,250
December 11, 2024	ETCC Employee	5,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 6,250
December 26, 2024	ETCC Employee	2,500	2015 Stock Option Grant Exercise @ $1.25 per share	$ 3,125
January 7, 2025	ETCC Employee	5,000	2019 Stock Option Grant Exercise @ $0.72 per share	$ 3,600
March 12, 2025	ETCC Director	15,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 18,750
March 12, 2025	ETCC Director	15,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 18,750
March 13, 2025	ETCC Employee	10,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 12,500
March 14, 2025	ETCC Employee	2,500	2015 Stock Option Grant Exercise @ $1.25 per share	$ 3,125
April 1, 2025	ETCC Employee	2,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 2,500
April 2, 2025	ETCC Officer	2,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 2,500
April 2, 2025	ETCC Officer	30,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 37,500
April 9, 2025	ETCC Officer	15,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 18,750
April 11, 2025	ETCC Director and Officer	60,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 75,000
April 14, 2025	ETCC Employee	2,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 2,500
April 16, 2025	ETCC Director	15,000	2015 Stock Option Grant Exercise @ $1.25 per share	$ 18,750
		186,000		$ 229,850

B. Any jurisdictions where the offering was registered or qualified: N/A

C. The number of shares offered: 186,000

D. The number of shares sold: 186,000

E. The price at which the shares were offered, and the amount actually paid to the issuer: $229,850

F. The trading status of the shares: Restricted

G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act: No

Item 4. Financial Statements

Environmental Tectonics Corporation
Consolidated Comparative Statements of Income and Comprehensive Income
(unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
(in thousands, except per share information)	**August 28, 2026**	**August 29, 2025**	**August 28, 2026**	**August 29, 2025**
Net sales	$ 18,319	$ 16,876	$ 34,491	$ 33,857
Cost of goods sold	13,906	12,010	26,197	24,920
Gross Profit	4,413	4,866	8,294	8,937
Operating expenses	2,310	2,312	4,822	4,543
Operating income	2,103	2,554	3,472	4,394
Other expenses:				
Interest expense, net	564	531	1,089	1,048
Other expense, net	54	89	135	127
Other expense, net total	618	620	1,224	1,175
Income before income taxes	1,485	1,934	2,248	3,219
Income tax provision	292	448	442	837
Net income from continuing operations	**1,193**	**1,486**	**1,806**	**2,382**
Foreign Currency translation adjustment	17	(57)	(1)	(147)
Comprehensive income	$ 1,210	$ 1,429	$ 1,805	$ 2,235
Discontinued operations				
(Loss) income from discontinued operations	(364)	(6)	(753)	388
Net Income	**829**	**1,480**	**1,053**	**2,770**
Preferred Stock Dividends	(121)	(121)	(242)	(242)
Income attributable to common and participating shareholders	**$ 708**	**$ 1,359**	**$ 811**	**$ 2,528**
Per share information:				
Basic earnings per common and participating share:				
Distributed earnings per share:				
Common	$ -	$ -	$ -	$ -
Preferred	$ 0.02	$ 0.02	$ 0.04	$ 0.04
Undistributed earnings per share - continuing operations:				
Common - continuing operations	$ 0.07	$ 0.09	$ 0.10	$ 0.14
Preferred - continuing operations	$ 0.07	$ 0.09	$ 0.10	$ 0.14
Diluted earnings per share - continuing operations	**$ 0.06**	**$ 0.08**	**$ 0.09**	**$ 0.13**
Undistributed (loss) income per share - discontinued operations:				
Common - discontinued operations	$ (0.02)	$ -	$ (0.05)	$ 0.02
Preferred - discontinued operations	$ (0.02)	$ -	$ (0.05)	$ 0.02
Diluted (loss) income per share - discontinued operations	**$ (0.02)**	**$ -**	**$ (0.04)**	**$ 0.02**
Diluted earnings per share	**$ 0.04**	**$ 0.08**	**$ 0.05**	**$ 0.15**
Basic weighted average common and participating shares:				
Common weighted average number of shares	9,579	9,579	9,579	9,559
Participating preferred shares	6,125	6,125	6,125	6,125
Total basic weighted average common and participating shares	15,704	15,704	15,704	15,684
Diluted weighted average shares:				
Basic weighted average common and participating shares	15,704	15,704	15,704	15,684
Dilutive effect of stock options	1,704	924	955	965
Total diluted weighted average shares	17,408	16,628	16,659	16,649

The accompanying notes are an integral part of the consolidated financial statements

Environmental Tectonics Corporation
Consolidated Comparative Balance Sheets

(in thousands, except share information)	August 28, 2026 (unaudited)	February 27, 2026
ASSETS		
Current assets:		
Cash and cash equivalents	$ -	$ 224
Restricted cash	6,940	7,048
Accounts receivable, net	12,099	10,440
Contract assets	33,072	31,471
Inventories, net	890	1,031
Prepaid expenses and other current assets	1,678	2,216
Current assets held for sale	3,338	3,102
Total current assets	58,017	55,532
Property, plant, and equipment, at cost, net	432	441
Right-of-use asset	4,385	5,620
Capitalized software development costs, net	8	8
Deferred tax assets, non-current, net	4,154	4,568
Non-current assets held for sale	95	262
Total assets	**$ 67,091**	**$ 66,431**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt obligations, net of debt issuance costs	$ 17	$ 8
Accounts payable, trade	3,791	4,005
Contract liabilities	17,334	14,610
Accrued interest and dividends	6,589	6,355
Current portion of lease obligations	2,246	2,665
Other accrued liabilities, current	4,985	3,694
Current liabilities held for sale	2,186	2,351
Total current liabilities	37,148	33,688
Long-term debt obligations, net of debt issuance costs, less current portion:		
Credit facility payable to bank, net of debt issuance costs	9,614	12,586
Lease obligations, non-current	2,139	2,955
Other accrued liabilities, non-current	995	995
Total liabilities	49,896	50,224
Shareholders' equity:		
Cumulative convertible participating Preferred Stock, Series E, $0.05 par value, 25,000 shares authorized; 12,127 shares outstanding as of August 28, 2026 and February 27, 2026	12,127	12,127
Common Stock, $0.05 par value, 50,000,000 shares authorized; 9,629,785 shares issued and 9,578,567 outstanding as of August 28, 2026 and February 27, 2026	481	481
Additional paid-in capital	5,615	5,558
Retained earnings (Accumulated deficit)	64	(868)
Accumulated other comprehensive loss	(1,014)	(1,013)
Treasury Stock, at cost 51,218 shares; as of August 28, 2026 and February 27, 2026	(78)	(78)
Total shareholders' equity	17,195	16,207
Total liabilities and shareholders' equity	**$ 67,091**	**$ 66,431**

The accompanying notes are an integral part of the consolidated financial statements.

Environmental Tectonics Corporation
Consolidated Statements of Cash Flows

(in thousands)	Fiscal Periods Ended August 28, 2026	August 29, 2025
Cash flows from operating activities:		
Net income	$ 1,053	$ 2,770
Net (loss) income from discontinued operations	(753)	388
Net income from continuing operations	1,806	2,382
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	118	89
Deferred income taxes	415	780
(Decrease) in allowance for doubtful accounts and inventory obsolescence	(91)	(8)
Stock compensation expense	178	134
Changes in operating assets and liabilities:		
Accounts receivable	(1,578)	248
Contract assets	(1,601)	(2,112)
Inventories	151	742
Prepaid expenses and other assets	538	317
Accounts payable, trade	(214)	(5,458)
Contract liabilities	2,723	4,292
Accrued taxes	-	34
Accrued interest and dividends	(8)	(19)
Other accrued liabilities	1,291	451
Net cash provided by operating activities - continuing operations	3,728	1,872
Net cash (used in) operating activities - discontinued operations	(416)	(2,677)
Net cash provided by (used in) operating activities	**2,559**	**(417)**
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	(109)	(140)
Capitalized software development costs	(2)	-
Net cash (used in) investing activities - continuing operations	(111)	(140)
Net cash (used in) investing activities- discontinued operations	-	(125)
Net cash (used in) investing activities	**(111)**	**(265)**
Cash flows from financing activities:		
(Repayments) under lines of credit	(2,963)	(2,043)
Issuance of Common Stock from options exercised	-	208
Repurchase of Common Stock	-	(78)
Net cash (used in) financing activities - continuing operations	(2,963)	(1,913)
Net cash (used in) provided by financing activities - discontinued operations	(20)	363
Net cash (used in) financing activities	**(2,983)**	**(1,550)**
Effect of exchange rate changes on cash	-	(147)
Net (decrease) in cash, cash equivalents, and restricted cash	(535)	(2,379)
Cash, cash equivalents, and restricted cash inculuding discontinued operations at beginning of year	7,475	9,427
Cash, cash equivalents, and restricted cash including discontinued operations at end of period	6,940	7,049
Cash, cash equivalents, and restricted cash - discontinued operations at end of period	-	1
Cash, cash equivalents, and restricted cash - continuing operations at end of period	**$ 6,940**	**$ 7,048**
Less: Restricted cash	(6,940)	(7,048)
Cash and cash equivalents at end of period - continuing operations	**$ -**	**$ -**
Supplemental schedule of cash flow information:		
Interest paid - continuing operations	$ 541	$ 552
Interest paid - discontinued operations	$ 40	$ 57
Income taxes paid	$ 6	$ 34
Supplemental information on non-cash operating and investing activities:		
Preferred Stock dividends accrued during each respective fiscal period	$ 242	$ 242

The accompanying notes are an integral part of the consolidated financial statements

Environmental Tectonics Corporation
Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

(in thousands, except share information)	Preferred Stock	Common Stock	Additional paid-in capital	(Accumulated deficit) Retained earnings	Accumulated other comprehensive loss	Treasury Stock	Total Shareholders' Equity
Balance, February 27, 2026	**$ 12,127**	**$ 481**	**$ 5,558**	**$ (868)**	**$ (1,013)**	**$ (78)**	**$ 16,207**
Net income	-	-	-	1,053	-	-	1,053
Foreign currency translation	-	-	-	-	(1)	-	(1)
Preferred Stock dividends	-	-	(121)	(121)	-	-	(242)
Stock compensation expense	-	-	178	-	-	-	178
Balance, August 28, 2026	**$ 12,127**	**$ 481**	**$ 5,615**	**$ 64**	**$ (1,014)**	**$ (78)**	**$ 17,195**

The accompanying notes are an integral part of the consolidated financial statements

Item 5. Description of Business Operations

ETC was incorporated in 1969 in Pennsylvania. For over five decades, we have provided our customers with products, services, and support. Innovation, continuous technological improvement and enhancement, and product quality are core values that are critical to our success. We are a significant supplier and innovator in the following areas: (i) software driven products and services used to create and monitor the physiological effects of flight, including high performance jet tactical flight simulation, fixed and rotary wing upset prevention and recovery and spatial disorientation, and both suborbital and orbital commercial human spaceflight: altitude (hypobaric) chambers; hyperbaric chambers for multiple persons (multiplace chambers) collectively, Aircrew Training Systems ("ATS"); (ii) Advanced Disaster Management Simulators ("ADMS"); (iii) steam and gas (ethylene oxide) sterilizer systems ("Sterilizer Systems" or "Sterilizers"); and (iv) Environmental Testing and Simulation Systems ("ETSS"). We operate in two primary business segments, Aerospace Solutions ("Aerospace") and Commercial/Industrial Systems ("CIS").

Aerospace encompasses the design, manufacture, and sale of: (i) ATS products; and (ii) ADMS, as well as integrated logistics support ("ILS") for customers who purchase these products or similar products manufactured by other parties. These products and services provide customers with an offering of comprehensive solutions for improved readiness and reduced operational costs. Sales of our Aerospace products are made principally to U.S. and foreign government agencies and to civil aviation organizations. We offer integrated ATS products to commercial, governmental, and military defense agencies, and training devices, including altitude (hypobaric) and multiplace chambers ("Chambers"), to governmental and military defense agencies and civil aviation organizations both in the United States and internationally. We sell our ADMS line of products to governmental organizations in both the United States and internationally, original equipment manufacturers in the global special fire truck market (including Aircraft Rescue and Firefighting vehicles), fire and emergency training schools, universities, commercial operations, airports and the oil and gas industry. We also provide ILS for customers who purchase these products or similar products manufactured by other parties.

CIS encompasses the design, manufacture, and sale of: (i) steam and gas (ethylene oxide) sterilizer systems; and (ii) ETSS; as well as parts and service support for customers who purchase these products or similar products manufactured by other parties. Sales of our CIS products are made principally to the healthcare, pharmaceutical, and automotive industries. We sell our sterilizer systems to medical device manufacturers, pharmaceutical manufacturers, and universities. We sell ETSS primarily to commercial automotive and heating, ventilation, and air conditioning ("HVAC") manufacturers. We also provide upgrade, maintenance, and repair services for our products and similar products manufactured by other parties.

The Company's primary Standard Industrial Classification Code ("SIC Code") is 3569. The Company's fiscal year is the fifty-two week or fifty-three week annual accounting period ending the last Friday in February. References to the 2027 fiscal second quarter are references to the thirteen week period ended August 28, 2026. References to the 2026 fiscal second quarter are references to the thirteen week period ended August 29, 2025. References to the 2027 fiscal first half are references to the twenty-six week period ending August 28, 2026. References to the 2026 fiscal first half are references to the twenty-six week period ending August 29, 2025. References to fiscal 2027 are references to the fifty-two week period ending February 26, 2027. References to fiscal 2026 are references to the fifty-two week period ended February 27, 2026.

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of ETC and ETC-PZL Aerospace Industries Sp. z.o.o. ("ETC-PZL"), our 100%-owned subsidiary in Warsaw, Poland. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying interim consolidated financial statements have been prepared by ETC, without audit, in conformity with accounting principles generally accepted in the United States of America, consistently applied, and reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

Certain information in footnote disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America has been condensed or omitted and the financial results for the periods presented may not be indicative of the full year's results; however, the Company believes that the disclosures are adequate to make the information presented not misleading. These interim consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's Annual Report to Shareholders for fiscal 2026 (the "2026 Annual Report").

Significant Accounting Policies Update

Discontinued Operations

During the 2027 fiscal second quarter ended August 28, 2026, management committed to a plan for the divestiture of the Company's wholly owned subsidiary, ETC-PZL. The transaction is part of the Company's ongoing efforts to focus its resources on its core businesses and strategically align its operations with its long-term objectives. The Company expects the transaction to have a positive impact on its ongoing consolidated financial results. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 205-20, management evaluated the held for sale criteria under ASC 360-10-45-9 and concluded that ETC-PZL should be reported as discontinued operations in the financial statements included herein.

The assets and liabilities of the discontinued operations are aggregated and reported separately as assets and liabilities held for sale in the Consolidated Balance Sheets as of August 28, 2026 and February 27, 2026. The reporting of assets and liabilities as discontinued operations at February 27, 2026 are a conforming reclassification of ETC-PZL's historical balances and not an assertion that the held-for-sale criteria was met at February 27, 2026. The results of the discontinued operations are aggregated and presented separately in the Consolidated Statement of Operations and Comprehensive Income as net (loss) income from discontinued operations for the thirteen weeks and twenty-six weeks ended August 28, 2026 and August 29, 2025. The cash flows of the discontinued operations are reflected as cash flows from discontinued operations within the Consolidated Statement of Cash Flows for the twenty-six weeks ended August 28, 2026 and August 29, 2025.

Amounts presented in assets and liabilities held for sale, and discontinued operations have been derived from our consolidated financial statements and accounting records using the historical basis of assets, liabilities, results of operations, and cash flows of the ETC-PZL business activities. See Notes 8 and 9 for additional information on discontinued operations.

Unless otherwise indicated, amounts presented as continuing operations exclude the results of ETC-PZL.

With the exception of Discontinued Operations discussed above, there have been no additional material changes in the Company's significant accounting policies during the fiscal 2027 as compared to what was previously disclosed in the 2026 Annual Report.

Note 2. Earnings per Share

The Company utilizes the two-class method for computing and presenting earnings per share. The Company currently has one class of Common Stock (the "Common Stock") and one class of cumulative convertible participating Preferred Stock currently outstanding, Series E (the "Preferred Stock"). Under its terms, the Preferred Stock is entitled to participate in any cash dividends on a one-for-one basis for the equivalent converted common shares if the Preferred Stock were to be converted by the holder by the dividend record date; therefore, the Preferred Stock is considered a participating security requiring the two-class method for the computation and presentation of net income per share – basic.

The two-class computation method for each period segregates basic earnings per common and participating share into two categories: distributed earnings per share (i.e., the Preferred Stock stated dividend) and undistributed earnings per share, which allocates earnings after subtracting the Preferred Stock dividend to the total of weighted average common shares outstanding plus equivalent converted common shares related to the Preferred Stock. Basic earnings per common and participating share exclude the effect of Common Stock equivalents, and is computed using the two-class computation method.

Diluted earnings per share reflects the potential dilution that could result if securities or other contracts to issue Common Stock were exercised or converted into Common Stock. Diluted earnings per share continue to be computed using the if-converted method. Diluted earnings per share assumes the exercise of stock options and warrants using the treasury stock method. If the effect of the conversion of any financial instruments would be anti-dilutive, it is excluded from the diluted earnings per share calculation.

As of both August 28, 2026 and August 29, 2025, there was $12,127 of cumulative convertible participating Series E Preferred Stock convertible at an exercise price of $1.98 per share, equating to 6,124,567 shares of Common Stock, originally issued in July 2009.

As of August 28, 2026 and August 29, 2025, there were outstanding options to purchase the Company's Common Stock at an average price of $1.08 and $1.08 totaling 1,655,800 and 1,692,950 shares, respectively.

Due to the conversion price of Common Stock options, 0 and 772,000 shares were excluded from the fiscal second quarter calculation of diluted earnings per share as of August 28, 2026 and August 29, 2025, respectively, because the effect of their conversion would be anti-dilutive.

Due to the conversion price of Common Stock options, 749,000 and 772,000 shares were excluded from the fiscal first half calculation of diluted earnings per share as of August 28, 2026 and August 29, 2025, respectively, because the effect of their conversion would be anti-dilutive.

Note 3. Revenue

The majority of our net sales are generated from long-term contracts with foreign and U.S. governments and agencies (including foreign military sales ("FMS") contracted through the U.S. Government) for the research, design, development, manufacture, integration, and sustainment of ATS products as well as long-term contracts with domestic and international customers for the sale of Sterilizer Systems and ETSS. Net sales of ADMS are generally much shorter term in nature and vary between domestic and international customers. We generally provide our products and services under fixed-price contracts.

Sales backlog (i.e., unfulfilled or remaining performance obligations under existing contracts) represents the sales we expect to recognize for our products and services for which control has not yet transferred to the customer. The estimated consideration is determined at the outset of the contract and considers the risks related to the technical, schedule, and cost impacts to complete the contract and an estimate of any variable consideration. We review these risks on a quarterly basis and may increase or decrease backlog accordingly. As the risks on such contracts are successfully retired, the estimated consideration from customers may be reduced, resulting in a reduction of backlog without a corresponding recognition of sales. As of August 28, 2026, our ending sales backlog was $69.4 million. We expect to recognize as revenue approximately 80% of the backlog over the next twelve (12) months and approximately 95% of the backlog over the next twenty-four (24) months, with the remainder recognized thereafter.

Comparability of our segment sales, operating income, and operating margin may be impacted favorably or unfavorably by changes in profit booking rates on our contracts for which we recognize revenue over a period of time using the percentage-of-completion cost-to-cost method to measure progress towards completion. Increases in the profit booking rates, typically referred to as risk retirements, usually relate to revisions in the estimated total costs to fulfill the performance obligations that reflect improved conditions on a particular contract. Conversely, conditions on a particular contract may deteriorate, resulting in an increase in the estimated total costs to fulfill the performance obligations and a reduction in the profit booking rate. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes.

The aggregate impact of adjustments in contract estimates to net income are presented below:

	Thirteen weeks ended					
	August 28, 2026			August 29, 2025		
	Aerospace	CIS	Total	Aerospace	CIS	Total
Net income attributable to adjustments in contract estimates	$ (158)	$ 79	$ (79)	$ 37	$ 373	$ 410

	Twenty-six weeks ended					
	August 28, 2026			August 29, 2025		
	Aerospace	CIS	Total	Aerospace	CIS	Total
Net income attributable to adjustments in contract estimates	$ (360)	$ 171	$ (189)	$ 76	$ 271	$ 347

The following schedule presents the Company's net sales by segment, business unit, and geographic area for the 2027 fiscal second quarter compared to the 2026 fiscal second quarter:

	Thirteen weeks ended							
	August 28, 2026				August 29, 2025			
	Domestic	U.S. Govt.	International	Total	Domestic	U.S. Govt.	International	Total
Aerospace Solutions								
Aeromedical Training Solutions (ATS)	$ 150	$ 48	$ 10,145	10,343	$ 2,278	$ 50	$ 8,845	11,173
Simulation (ADMS)	58	50	1,106	1,214	-	219	246	465
Subtotal	208	98	11,251	11,557	2,278	269	9,091	11,638
Commercial/Industrial Systems								
Sterilizers	2,904	-	850	3,754	1,865	-	2,456	4,321
Environmental (ETSS)	2,483	-	-	2,483	437	-	-	437
Service and spares	344	-	181	525	304	-	176	480
Subtotal	5,731	-	1,031	6,762	2,606	-	2,632	5,238
Net Sales Total	**$ 5,939**	**$ 98**	**$ 12,282**	**$ 18,319**	**$ 4,884**	**$ 269**	**$ 11,723**	**$ 16,876**

The following schedule presents the Company's net sales by segment, business unit, and geographic area for the 2027 fiscal first half compared to the 2026 fiscal first half:

	Twenty-six weeks ended							
	August 28, 2026				August 29, 2025			
	Domestic	U.S. Govt.	International	Total	Domestic	U.S. Govt.	International	Total
Aerospace Solutions								
Aeromedical Training Solutions	$ 368	$ 96	$ 19,173	$ 19,637	$ 2,436	$ 601	$ 18,660	$ 21,697
Simulation (ADMS)	59	111	1,975	2,145	49	546	713	1,308
Subtotal	427	207	21,148	21,782	2,485	1,147	19,373	23,005
Commercial/Industrial Systems								
Sterilizers	4,561	-	1,441	6,002	5,100	-	4,153	9,253
Environmental (ETSS)	5,794	-	-	5,794	615	-	-	615
Service and spares	674	-	239	913	750	-	234	984
Subtotal	11,029	-	1,680	12,709	6,465	-	4,387	10,852
Net Sales Total	**$ 11,456**	**$ 207**	**$ 22,828**	**$ 34,491**	**$ 8,950**	**$ 1,147**	**$ 23,760**	**$ 33,857**

The Company's percentage of total recognized revenue by type of revenue was as follows:

	Thirteen weeks ended	
Type of Revenue	**August 28, 2026**	**August 29, 2025**
Products	90.2%	90.4%
Maintenance and support agreements	6.8%	6.1%
Services	1.6%	1.7%
Spare parts	1.4%	1.8%
Total	**100.0%**	**100.0%**

	Twenty-six weeks ended	
Type of Revenue	**August 28, 2026**	**August 29, 2025**
Products	90.1%	90.4%
Maintenance and support agreements	6.9%	6.1%
Services	1.7%	1.8%
Spare parts	1.3%	1.7%
Total	**100.0%**	**100.0%**

Note 4. Leases

The Company determines if an arrangement is a lease at the inception date. On the Consolidated Balance Sheets, operating leases are included in the Right-of-use asset, with the related liabilities included in either the Current portion of lease obligations or Lease obligations, non-current. Also on the Consolidated Balance Sheets, finance leases are included in Property, plant, and equipment, at cost, net, with the related liabilities included in either Other accrued liabilities, current, or Other accrued liabilities, non-current.

Right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. If a lease does not implicitly state a rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. Variable components of the lease payments such as fair market value adjustments, utilities, and maintenance costs are expensed as incurred and not included in determining the present value. Lease expense for minimum lease payments are recognized on a straight-line basis over the lease term.

The Company leases certain premises and office equipment under operating leases. As of August 28, 2026, these leases have remaining lease terms of one (1) month to forty (40) months, with a weighted average remaining lease term of approximately twenty-seven (27) months. Maturities of operating lease liabilities are as follows:

Fiscal Year		**Amount**
2027		1,547
2028		1,590
2029		1,253
2030		431
Total lease payments		4,821
Less: imputed interest		(436)
Total future long-term debt obligations		4,385
Less: current portion		(2,246)
Total future long-term debt obligations, less current portion	**$**	**2,139**

Total operating lease expense was $855 for the 2027 fiscal second quarter. For the 2027 fiscal second quarter, cash payments against operating lease liabilities totaled $753.

Total operating lease expense was $1,709 for the 2027 fiscal first half. For the 2027 fiscal first half, cash payments against operating lease liabilities totaled $1,488.

Note 5. Long-Term Obligations

On May 23, 2023, the Company entered into an amendment to the September 28, 2012 Loan Agreement with PNC Bank that provided for, among other things, the following:

(i) The maturity date of the 2016 PNC Credit Facilities was extended from June 30, 2023 to June 30, 2024.

(ii) Loans under the Line of Credit shall bear interest at a variable rate per annum equal to the sum of (A) Daily Simple SOFR plus (B) an unadjusted spread of two hundred seventy five basis points (2.75%) plus (C) a SOFR adjustment of ten basis points (0.10%).

(iii) Provided the ability for ETC to utilize our accounts receivable and inventory as collateral for additional borrowings with alternative lenders.

On May 6, 2024, the Company entered into an amendment to the September 28, 2012 Loan Agreement with PNC Bank that extended the maturity date of the 2016 PNC Credit Facilities from June 30, 2024 to June 30, 2025.

On May 13, 2025, the Company entered into an amendment to the September 28, 2012 Loan Agreement with PNC Bank that extended the maturity date of the 2016 PNC Credit Facilities from June 30, 2025 to June 30, 2026.

On May 26, 2026, the Company entered into an amendment to the September 28, 2012 Loan Agreement with PNC Bank that extended the maturity date of the 2016 PNC Credit Facilities from June 30, 2026 to June 30, 2028.

Summary of Long-Term Debt Obligations

Long-term debt obligations consist of the following:

	August 28, 2026	February 27, 2026
Credit facility payable to PNC Bank	$ 9,559	$ 12,555
Automobile Loans	72	39
Total long-term debt obligations, net of debt issuance costs	9,631	12,594
Less: current portion	(17)	(8)
Total long-term debt obligations, less current portion, net of debt issuance costs	**$ 9,614**	**$ 12,586**

Note 6. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial and tax reporting purposes, as well as the valuation of net operating loss ("NOL") carryforwards and research and development tax credits. Valuation allowances are reviewed each fiscal period to determine whether there is sufficient positive or negative evidence to support a change in judgment about the potential realization of the related deferred tax asset. Deferred tax assets and liabilities are offset and presented as a single non-current asset.

Generally, accounting standards require companies to provide for income taxes each quarter based on their estimate of the effective tax rate for the full year. The authoritative guidance for accounting for income taxes allows use of the discrete method when, in certain situations, the actual interim period effective tax rate may be used if it provides a better estimate of income tax expense.

An income tax provision of $292 and $448 was recorded in the 2027 fiscal second quarter and the 2026 fiscal second quarter, respectively. Effective tax rates were 19.7% and 23.2% for the 2027 fiscal second quarter and the 2026 fiscal second quarter, respectively. As of August 28, 2026, the Company had approximately $1,400 of federal NOL carryforwards available to offset future income tax liabilities, $308 of which will expire at various dates through 2042.

Note 7. Commitments and Contingencies

Legal Proceedings

Other Matters

Certain other claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against us. We believe, after consultation with legal counsel handling these specific matters, all such matters are reserved for or adequately covered by insurance or, if not so covered, are without merit or are of such kind, or involve such amounts, as would not be expected to have a significant effect on our financial position or results of operations if determined adversely against us.

Note 8. Discontinued Operations

During the 2027 fiscal second quarter ended August 28, 2026, management committed to a plan for the divestiture of the Company's wholly owned subsidiary, ETC-PZL. The transaction is part of the Company's ongoing efforts to focus its resources on its core businesses and strategically align its operations with its long-term objectives. The Company expects the transaction to have a positive impact on its ongoing consolidated financial results. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 205-20, management evaluated the held for sale criteria under ASC 360-10-45-9 and concluded that ETC-PZL should be reported as discontinued operations in the financial statements included herein.

The ETC-PZL sale transaction closed on September 10, 2026 (see Note 9 – Subsequent Events for further details).

Summarized balance sheet information of assets and liabilities held for sale is below:

($ in thousands)	August 28, 2026 (unaudited)	February 27, 2026
Restricted cash	$ -	$ 203
Accounts receivable, net	630	71
Inventories, net	64	69
Prepaid expenses and other current assets	2,644	2,759
Current assets held for sale	3,338	3,102
Property, plant, and equipment, at cost, net	95	115
Right-of-use asset	-	147
Non-current assets held for sale	95	262
Total assets held for sale	**$ 3,433**	**$ 3,364**
Current portion of long-term debt obligations, net of debt issuance costs	$ 539	$ 559
Accounts payable, trade	360	232
Accrued taxes	403	148
Current portion of lease obligations	-	147
Other accrued liabilities, current	884	1,265
Current liabilities held for sale	2,186	2,351
Total liabilities held for sale	**$ 2,186**	**$ 2,351**

The statement of operations of discontinued operations are summarized below:

	Thirteen weeks ended		Twenty-six weeks ended	
($ in thousands)	**August 28, 2026**	**August 29, 2025**	**August 28, 2026**	**August 29, 2025**
Net sales	$ 68	145	82	811
Cost of goods sold	10	27	9	102
Gross Profit	$ 58	118	73	709
Operating expenses total	405	179	785	446
Operating income	$ (347)	$ (61)	$ (712)	$ 263
Other expense (income), net	17	(55)	41	(125)
Net (loss) income from discontinued operations	**$ (364)**	**$ (6)**	**$ (753)**	**$ 388**

Note 9. Subsequent Events

The Company has evaluated subsequent events through October 19, 2026, the date of issuance of the accompanying interim consolidated financial statements, and determined that there were no material subsequent events other than disclosed below requiring adjustment to, or disclosure in, the accompanying interim consolidated financial statements for the thirteen weeks ended August 28, 2026.

Sale of ETC-PZL

On September 10, 2026, subsequent to August 28, 2026, the Company completed the sale of 100% of the equity interests of its wholly owned Polish subsidiary, ETC-PZL. The operations of the subsidiary are presented as discontinued operations in the accompanying consolidated financial statements.

On a stand-alone basis, the subsidiary's operations historically generated losses and, as a result of the disposition, the Company expects the transaction to have a positive impact on its consolidated results of operations.

In connection with the disposition, the Company and ETC-PZL entered into a separate 10-year Cooperation Agreement under which ETC-PZL will serve as a preferred supplier to the Company for certain products. Under the agreement, the Company has the option to manufacture the applicable products internally.

Management's Discussion and Analysis

Forward-looking Statements

Discussions of some of the matters contained in this Quarterly Report include forward-looking statements that may involve risks and uncertainties. Some of these discussions are contained under the caption "Management's Discussion and Analysis". We have based these forward-looking statements on our current expectations and projections about future events or future financial performance, which include implementing our business strategy, developing and introducing new technologies, obtaining, maintaining and expanding market acceptance of the technologies we offer, and competition in our markets. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about ETC and its subsidiaries that may cause actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements.

These forward-looking statements include statements with respect to the Company's vision, mission, strategies, goals, beliefs, plans, objectives, expectations, anticipations, estimates, intentions, financial condition, results of operations, future performance, and business of the Company, including, but not limited to, (i) projections of revenues, costs of materials, income or loss, earnings or loss per share, capital expenditures, growth prospects, dividends, capital structure, other financial items, and the effects of foreign currency fluctuations, (ii) statements of our plans and objectives of the Company or its management or the Company's Board of Directors (the "Board of Directors"), including the introduction of new products, or estimates or predictions of actions of customers, suppliers, competitors, or regulatory authorities, (iii) statements of future economic performance, (iv) statements of assumptions and other statements about the Company or its business, (v) statements made about the possible outcomes of litigation involving the Company, (vi) statements regarding the Company's ability to obtain financing to support its operations and other expenses, and (vii) statements preceded by, followed by, or, that include, words such as "may" , "will" , "should" , "expect" , "plan" , "anticipate" , "believe" , "estimate" , "future" , "predict" , "potential" , "intend" , or "continue" , and similar expressions. These forward-looking statements involve risks and uncertainties that are subject to change based on various important factors. Some of these risks and uncertainties, in whole or in part, are beyond the Company's control.

Results of Operations

Thirteen weeks ended August 28, 2026 compared to thirteen weeks ended August 29, 2025

Due to the nature of our business, we have historically experienced significant variability in our quarterly revenues, earnings, and other operating results, and our performance may fluctuate significantly in the future.

Summary Table of Results

(unaudited)

	Thirteen weeks ended			
(in thousands, except per share information)	**August 28, 2026**	**August 29, 2025**	**Variance ($)**	**Variance (%)**
Net sales	$ 18,319	$ 16,876	$ 1,443	8.6
Cost of goods sold	13,906	12,010	1,896	15.8
Gross Profit	4,413	4,866	(453)	(9.3)
Gross profit margin %	*24.1%*	*28.8%*	*-4.7%*	*-16.3%*
Operating expenses	2,310	2,312	(2)	(0.1)
Operating income	2,103	2,554	(451)	(17.7)
Operating margin %	*11.5%*	*15.1%*	*-3.6%*	*-23.8%*
Interest expense, net	564	531	33	6.2
Other expense, net	54	89	(35)	(39.3)
Income before income taxes	1,485	1,934	(449)	(23.2)
Pre-tax margin %	*8.1%*	*11.5%*	*-3.4%*	*-29.6%*
Income tax provision	292	448	(156)	(34.8)
Net income from continuing operations	1,193	1,486	(293)	(19.7)
Discontinued operations				
(Loss) from discontinued operations	(364)	(6)	(358)	5966.7
Net income	**$ 829**	**$ 1,480**	**$ (651)**	**(44.0)**
Per share information:				
Basic earnings per common and participating share:				
Distributed earnings per share:				
Common	$ -	$ -	$ -	
Preferred	$ 0.02	$ 0.02	$ -	
Undistributed earnings per share - continuing operations:				
Common - continuing operations	$ 0.07	$ 0.09	$ (0.02)	
Preferred - continuing operations	$ 0.07	$ 0.09	$ (0.02)	
Diluted earnings per share - continuing operations	**$ 0.06**	**$ 0.08**	**$ (0.02)**	
Undistributed (loss) per share - discontinued operations:				
Common - discontinued operations	$ (0.02)	$ -	$ (0.02)	
Preferred - discontinued operations	$ (0.02)	$ -	$ (0.02)	
Diluted (loss) per share - discontinued operations	**$ (0.02)**	**$ -**	**$ (0.02)**	
Diluted earnings per share	**$ 0.04**	**$ 0.08**	**$ (0.04)**	

Net Income from Continuing Operations

Net income from continuing operations was $1.2 million, or $0.06 diluted earnings per share in the 2027 fiscal second quarter, compared to net income from continuing operations of $1.5 million during the 2026 fiscal second quarter, equating to $0.08 diluted earnings per share. The $0.3 million decrease is a result of a $0.5 million decrease in gross profit partially offset by a $0.2 million decrease in income tax provision attributable to lower operating income.

Net Sales

Net sales in the 2027 fiscal second quarter were $18.3 million, an increase of $1.4 million, or 8.6%, compared to the 2026 fiscal second quarter net sales of $16.9 million. The increase in net sales was driven by a $2.0 million, or 468.2% increase in ETSS and a $0.7 million or 161.1% increase in ADMS net sales in the 2027 fiscal second quarter compared to the 2026 fiscal second quarter slightly offset by a $0.6 million, or 13.1% decrease in Sterilizer Systems net sales and a $0.8 million, or 7.4% decrease in ATS sales in the 2027 fiscal second quarter compared to the 2026 fiscal second quarter. Excluding the impact of Aeromedical building sales, net sales were $2.6 million, or 18.6% higher in the 2027 fiscal second quarter as compared to the 2026 fiscal second quarter.

Gross Profit

Gross profit for the 2027 fiscal second quarter of $4.4 million decreased from $4.9 million in the 2026 fiscal second quarter, a decrease of $0.5 million, or 9.3%. Gross profit margin of 24.1% decreased by 4.7% in the 2027 fiscal second quarter compared to 28.8% in the 2026 fiscal second quarter. The decrease in gross profit margin as a percentage of sales was primarily attributable to the sale and subsequent leaseback of an aeromedical training device in the 2026 fiscal second quarter, two negative job costs revisions in the Aerospace Segment in the 2027 fiscal second quarter, and lower gross profit margin for completed contract projects in the 2027 fiscal second quarter as compared to the 2026 fiscal second quarter.

Operating Expenses

Operating expenses, including sales and marketing, general and administrative, and research and development, for the 2027 and 2026 fiscal second quarter were $2.3 million.

Operating Income

Operating income for the 2027 fiscal second quarter was $2.1 million, a decrease of $0.5 million, or 17.7%, compared to $2.6 million for the 2026 fiscal second quarter. The decrease in operating income in the 2027 fiscal second quarter as compared to the 2026 fiscal second quarter is attributable to a $0.5 million, or 9.3% decrease in gross profit. The decrease in gross profit as described above was partially offset by a $1.4 million, or 8.6% increase in net sales in the 2027 fiscal second quarter as compared to the 2026 fiscal second quarter.

Interest Expense, Net and Other Expense

Interest expense, net, and other expense of $0.6 million for the 2027 fiscal second quarter were flat compared to the 2026 fiscal second quarter expense of $0.6 million.

Income Tax Provision

Income tax provision for the 2027 fiscal second quarter was $0.3 million compared to $0.5 million in the 2026 fiscal second quarter, a decrease of $0.2 million, or 34.8%. The decrease is attributable to lower operating income in the 2027 fiscal second quarter as compared to the 2026 fiscal second quarter.

(Loss) from Discontinued Operations

(Loss) from discontinued operations for the 2027 fiscal second quarter was ($0.4) million compared to ($0.0) million in the 2026 fiscal second quarter, an increased loss of ($0.4) million attributable to limited third party sales during the 2027 fiscal second quarter.

Twenty-six weeks ended August 28, 2026 compared to twenty-six weeks ended August 29, 2025

Due to the nature of our business, we have historically experienced significant variability in our quarterly revenues, earnings, and other operating results, and our performance may fluctuate significantly in the future.

Summary Table of Results
(unaudited)

(in thousands, except per share information)	Twenty-six weeks ended August 28, 2026	August 29, 2025	Variance ($)	Variance (%)
Net sales	$ 34,491	$ 33,857	$ 634	1.9
Cost of goods sold	26,197	24,920	1,277	5.1
Gross Profit	8,294	8,937	(643)	(7.2)
Gross profit margin %	*24.0%*	*26.4%*	*-2.4%*	*-9.1%*
Operating expenses	4,822	4,543	279	6.1
Operating income	3,472	4,394	(922)	(21.0)
Operating margin %	*10.1%*	*13.0%*	*-2.9%*	*-22.3%*
Interest expense, net	1,089	1,048	41	3.9
Other expense, net	135	127	8	6.3
Income before income taxes	2,248	3,219	(971)	(30.2)
Pre tax margin %	*6.5%*	*9.5%*	*-3.0%*	*-31.6%*
Income tax provision	442	837	(395)	-47.2
Net income from continuing operations	1,806	2,382	(576)	24.2
Discontinued operations				
(Loss) income from discontinued operations	(753)	388	(1,141)	-294.1
Net income	**$ 1,053**	**$ 2,770**	**$ (1,717)**	(62.0)
Per share information:				
Basic earnings per common and participating share:				
Distributed earnings per share:				
Common	$ -	$ -	$ -	
Preferred	$ 0.04	$ 0.04	$ -	
Undistributed earnings per share - continuing operations:				
Common - continuing operations	$ 0.10	$ 0.14	$ (0.04)	
Preferred - continuing operations	$ 0.10	$ 0.14	$ (0.04)	
Diluted earnings per share - continuing operations	**$ 0.09**	**$ 0.13**	**$ (0.04)**	
Undistributed (loss) income per share - discontinued operations:				
Common - discontinued operations	$ (0.05)	$ 0.02	$ (0.07)	
Preferred - discontinued operations	$ (0.05)	$ 0.02	$ (0.07)	
Diluted (loss) income per share - discontinued operations	**$ (0.04)**	**$ 0.02**	**$ (0.06)**	
Diluted earnings per share	**$ 0.05**	**$ 0.15**	**$ (0.10)**	

Net Income from Continuing Operations

Net income from continuing operations was $1.8 million, or $0.09 earnings per diluted share, in the 2027 fiscal first half, compared to net income from continuing operations of $2.4 million during the 2026 fiscal first half, equating to $0.13 earnings per diluted share. The $0.6 million decrease in the 2027 fiscal first half is a result of a $0.6 million decrease in gross profit, attributable to lower gross profit margins and a $0.3 million increase in operating expenses, partially offset by a $0.6 million increase in net sales and $0.4 million lower income tax provision attributable to lower operating income.

Net Sales

Net sales in the 2027 fiscal first half were $34.5 million, an increase of $0.6 million, or 1.9%, compared to the 2026 fiscal first half net sales of $33.9 million. The increase in net sales was driven by a $5.2 million, or 842.1% increase in ETSS and a $0.8 million, or 64.0% in increase in ADMS net sales in the 2027 fiscal first half compared to 2026 fiscal first half, partially offset by a $3.3 million or 35.1% decrease in Sterilizer Systems and a $2.1 million, or 9.5% decrease in ATS net sales. Excluding the impact of Aeromedical building sales, net sales increased by $3.5 million, or 13.1% in the 2027 fiscal first half as compared to the 2026 fiscal first half.

Gross Profit

Gross profit for the 2027 fiscal first half of $8.3 million decreased from $8.9 million in the 2026 fiscal first half, a decrease of $0.6 million, or 7.2%. Gross profit margin of 24.0% decreased by 2.4% in the 2027 fiscal first half compared to 26.4% in the 2026 fiscal first half. Excluding the impact of the lower margins realized from the Aeromedical center building revenue, gross profit margin was 27.3% for the fiscal 2027 first half as compared to 33.7% for the 2026 fiscal first half. The decrease in gross profit margin, excluding the Aeromedical center building revenue, is primarily attributable to negative job cost revisions in the Aerospace business segment in the 2027 fiscal first half and lower gross profit margins on completed contracts in the 2027 fiscal first half. The gross profit margin decrease is also attributable to a significant positive job costs revision in the ATS business unit in the 2026 fiscal first half as well as the positive gross profit margin in the 2026 fiscal first half attributable to the sale and leaseback of a product held in finished goods inventory.

Operating Expenses

Operating expenses, including sales and marketing, general and administrative, and research and development, for the 2027 fiscal first half were $4.8 million, an increase of $0.3 million, or 6.1%, compared to $4.5 million for the 2026 fiscal first half. The increase in operating expenses was due primarily to higher general administrative expense in the 2027 fiscal first half as compared to the 2026 fiscal first half.

Operating Income

Operating income for the 2027 fiscal first half was $3.5 million, a decrease of $0.9 million, or 21.0%, compared to $4.4 million for the 2026 fiscal first half. The decrease in operating income in the 2027 fiscal first half as compared to the 2026 fiscal first half is attributable to a $0.6 million, or 7.2% decrease in gross profit attributable to lower gross profit margin and a $0.3 million, or 6.1% increase in operating expenses in the 2027 fiscal first half as compared to the 2026 fiscal first half.

Interest Expense, Net

Interest expense, net for the 2027 fiscal first half was $1.1 million compared to interest expense, net of $1.0 million for the 2026 fiscal first half.

Income Tax Provision

Income tax provision for the 2027 fiscal first half was $0.4 million compared to $0.8 million in the 2026 fiscal first half, a decrease of $0.4 million, or 47.2%. The decrease is attributable to lower operating income in the 2027 fiscal first half as compared to the 2026 fiscal first half.

(Loss) Income from Discontinued Operations

(Loss) from discontinued operations for the 2027 fiscal first half was ($0.8) million compared to income of $0.4 million in the 2026 fiscal second quarter, a decrease of ($1.1) million attributable to limited third party sales during the 2027 fiscal first half.

Cash Flows from Operating, Investing, and Financing Activities

During the 2027 fiscal first half, the Company provided $3.7 million of cash from operating activities, due primarily to net income from continuing operations and an increase in contract liabilities and other accrued liabilities, slightly offset by an increase in accounts receivable and contract assets as compared to providing $1.9 million during the 2026 fiscal first half.

Cash used for investing activities was $0.1 million during the 2027 and 2026 fiscal first half, respectively, primarily relating to funds used for capital expenditures on equipment.

The Company's financing activities used $3.0 million during the 2027 fiscal first half, included repayments of $3.0 million during the 2027 fiscal first half under the Company's credit facility as compared to cash used in financing activities of $1.9 million during the 2026 fiscal first half.

Item 6. Description of Facilities

We are an ISO 9001 certified manufacturer. We operate in three major locations consisting of manufacturing facilities, product development, and administration. A summary of square footage and use is presented below:

Location	Approximate Square Footage	Function	Owned/ Leased	Segment
Southampton, Pennsylvania	83,800	Manufacturing (36,000 sq. ft.), NASTAR Center (22,100 sq. ft.), and Corporate Headquarters (25,700 sq. ft.)	Leased	Aerospace CIS
Orlando, Florida	6,656	Product development and administration	Leased	Aerospace
Ankara, Turkey	1,744	Software development	Leased	Aerospace CIS
Total	**92,200**			

The above table, excludes the 28,000 square foot leased facility of ETC-PZL, our 100% wholly owned subsidiary, which was sold on September 10, 2026.

We consider our machinery and plant to be in satisfactory operating condition, and adequate given our expected operations. Significant increases in the level of operations beyond what we expect in the current fiscal year might require us to obtain additional facilities and equipment.

Item 7. Officers, Directors, and Control Persons

	Name / *Address* **	Title	Ownership Percentage
Directors and Executive Officers:	George K. Anderson, M.D.	Chairman of the Board of Directors	1.9%
	Linda J. Brent, Ed.D.	Director	1.5%
	Winston E. Scott	Director	1.5%
	Brian Eccleston	Director	*
	Robert L. Laurent, Jr.	Chief Executive Officer, President, Corporate Secretary and Director	2.4%
	Timothy R. Kennedy	Chief Financial Officer	*
	Thomas G. Loughlin	Chief Operating Officer	1.2%
	Alper Kus	Senior Vice President, Aircrew Training Systems	1.2%
	Katarzyna Wrzesinski	Director of Finance and Corporate Controller	*
5% Beneficial Owners:	Estate of H.F. Lenfest *c/o The Lenfest Foundation* *Two Logan Square* *100 N. 18th Street, Suite 800* *Philadelphia, PA 19103*		*** 53.1%
	T. Todd Martin, III *50 Midtown Park East* *Mobile, AL 36606*		10.8%
	Zeff Capital *405 Lexington Avenue, 9th Floor* *New York, NY 10174*		8.6%

* less than 1%

** address listed for all persons beneficially owning more than ten percent (10%)

*** the denominator for this ownership percentage calculation includes all participating preferred shares

Item 8. Legal/Disciplinary History

Information presented in the table above is accurate as of October 19, 2026, the date of issuance of the accompanying interim consolidated financial statements, based on information available to the Company. None of the foregoing Directors, Executive Officers, and Officers in the last ten (10) years has had a legal/disciplinary issue.

Item 9. Third Party Providers

Legal Counsel:

Sadis & Goldberg LLP
551 Fifth Avenue, 21st Floor
New York, NY 10176
(212) 573-8034

Independent Auditor:

RSM US LLP
518 Township Line Road, Suite 300
Blue Bell, PA 19422
(215) 641-8600

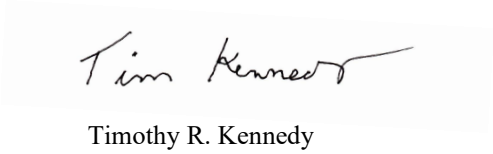
Item 10. Management's Certification

I, Timothy R. Kennedy certify that:

1 I have reviewed this Quarterly Report of Environmental Tectonics Corporation;

2 Based on my knowledge, this disclosure statement 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 disclosure statement; and

3 Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.



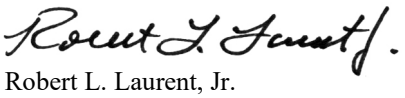
Timothy R. Kennedy
Chief Financial Officer
Date: October 19, 2026

I, Robert L. Laurent, Jr. certify that:

1 I have reviewed this Quarterly Report of Environmental Tectonics Corporation;

2 Based on my knowledge, this disclosure statement 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 disclosure statement; and

3 Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.



Robert L. Laurent, Jr.
Chief Executive Officer and President
Date: October 19, 2026