

CONRAD INDUSTRIES, INC.

Quarterly Financial Report

March 31, 2026

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

In this report and in the normal course of business, we, in an effort to help keep our stockholders and the public informed about our operations, may from time-to-time issue or make certain statements, either in writing or orally, that are or contain forward-looking statements. All statements contained herein, other than statements of historical fact, are forward-looking statements. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect,” “project,” and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including risks and uncertainties related to changes in steel prices, changes in other material and labor costs, changes in U.S. tariff and trade policies and the potential impact of such changes on our business, changes in inflation, labor and supply constraints, changes in interest rates, our reliance on cyclical industries, our reliance on principal customers and government contracts, including any funding limitations or other disruptions resulting from a government shutdown or policy changes, our ability to perform contracts at costs consistent with estimated costs utilized in bidding for our projects, our ability to timely complete projects, variations in quarterly revenues and earnings resulting from the percentage of completion accounting method, our customers' financial condition and risk of default, the possible termination of certain contracts included in our backlog at the option of customers, operating risks, including operability and adequacy of our equipment, competition for marine vessel contracts, our ability to retain and implement effective succession plans for key management personnel and to continue to attract and retain skilled workers, changes in local, state and federal government regulations, the availability and cost of capital, geopolitical conflicts and tensions, risk of failure of any bank in which we deposit our funds, potential occurrence of a health crisis similar to or worse than the COVID-19 pandemic, and general industry and economic conditions, including the price of oil and gas. Certain of these risks and assumptions, and other risks and assumptions are discussed in more detail in our Annual Report, included under the heading “*Business Overview-Risk Factors.*” Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We do not intend to update these forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct.

An Important Note About This Report

Conrad Industries, Inc. is not subject to the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the “Act”). Accordingly, this report is not filed with the U.S. Securities and Exchange Commission (“SEC”), is not available on the SEC’s EDGAR system, and does not purport to meet the requirements for companies that are subject to the Act’s reporting requirements. The Company does intend in this report and its other reports to provide current financial information in accordance with U.S. GAAP and other information of material interest to investors.

This report, our 2025 Annual Report and our other periodic reports to shareholders are available on the Company’s website, www.ConradIndustries.com and at www.otcmarkets.com. Interested persons may also request copies directly

from the Company; please direct requests and inquiries to: Chief Financial Officer, Conrad Industries Inc., P. O. Box 790, Morgan City, LA, 70381, telephone (985) 702-0195. In particular, you should read this Quarterly Report along with our 2025 Annual Report.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

<u>ASSETS</u>	<u>March 31, 2026</u>	<u>December 31, 2025</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 29,904	\$ 27,537
Contracts receivable, net	34,925	20,546
Costs and estimated gross profit in excess of billings on contracts in progress	34,757	31,919
Inventories	2,024	7,355
Other receivables	-	1,084
Other current assets	6,763	8,103
Total current assets	108,373	96,544
PROPERTY, PLANT AND EQUIPMENT, net	42,026	41,961
OTHER ASSETS	1,174	1,265
TOTAL ASSETS	\$ 151,573	\$ 139,770
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 9,748	\$ 8,831
Accrued employee costs	4,555	6,553
Accrued expenses	3,117	1,735
Current maturities of long-term debt	1,000	1,375
Billings in excess of costs and estimated gross profit on contracts in progress	26,230	17,521
Total current liabilities	44,650	36,015
LONG-TERM DEBT, less current maturities	-	-
DEFERRED INCOME TAXES	1,621	1,569
OTHER NON-CURRENT LIABILITIES	823	916
Total liabilities	47,094	38,500
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized, no shares issued	-	-
Common stock, \$0.01 par value 20,000,000 shares authorized, 7,314,837 issued as of March 31, 2026 and December 31, 2025	73	73
Additional paid-in capital	29,104	29,104
Treasury stock at cost, 2,296,902 shares as of March 31, 2026 and December 31, 2025	(38,892)	(38,892)
Retained earnings	114,194	110,985
Total shareholders' equity	104,479	101,270
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 151,573	\$ 139,770

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three months ended	
	March 31,	
	2026	2025
REVENUE	\$ 69,350	\$ 80,483
COST OF REVENUE	63,076	73,457
GROSS PROFIT	6,274	7,026
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,460	2,160
INCOME FROM OPERATIONS	3,814	4,866
INTEREST EXPENSE	(11)	(44)
OTHER INCOME/(EXPENSE), NET	471	350
INCOME BEFORE INCOME TAXES	4,274	5,172
PROVISION FOR INCOME TAXES	1,065	1,302
NET INCOME	\$ 3,209	\$ 3,870
Income Per Share		
Basic and Diluted	\$ 0.64	\$ 0.77
Weighted Average Common Shares Outstanding		
Basic and Diluted	5,018	5,018

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock \$0.01 Par Value		Additional Paid-in Capital	Treasury Stock at Cost		Retained Earnings	Total
	Shares	Amount		Shares	Amount		
BALANCE—December 31, 2023	7,315	\$ 73	\$ 29,104	2,297	\$ (38,892)	\$ 79,884	\$ 70,169
Purchase of treasury stock	-	-	-	-	-	-	-
Stock issued	-	-	-	-	-	-	-
Dividends on common stock	-	-	-	-	-	-	-
Net income	-	-	-	-	-	11,226	11,226
BALANCE—December 31, 2024	7,315	\$ 73	\$ 29,104	2,297	\$ (38,892)	\$ 91,110	\$ 81,395
Purchase of treasury stock	-	-	-	-	-	-	-
Stock issued	-	-	-	-	-	-	-
Dividends on common stock	-	-	-	-	-	-	-
Net income	-	-	-	-	-	19,875	19,875
BALANCE—December 31, 2025	7,315	\$ 73	\$ 29,104	2,297	\$ (38,892)	\$ 110,985	\$ 101,270
Purchase of treasury stock	-	-	-	-	-	-	-
Stock issued	-	-	-	-	-	-	-
Dividends on common stock	-	-	-	-	-	-	-
Net income	-	-	-	-	-	3,209	3,209
BALANCE—March 31, 2026	7,315	\$ 73	\$ 29,104	2,297	\$ (38,892)	\$ 114,194	\$ 104,479

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three months ended March 31,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,209	\$ 3,870
Adjustments to reconcile net income to cash provided by/ (used in) operating activities:		
Depreciation and amortization	978	927
Deferred provision for income tax	662	105
Changes in assets and liabilities:		
Contracts receivable	(14,379)	4,978
Net change in billings related to cost and estimated gross profit on contracts in progress	5,871	1,014
Inventory and other assets	7,234	621
Accounts payable, accrued expenses and other liabilities	209	2,070
Net cash provided by operating activities	3,784	13,585
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for plant and equipment	(1,042)	(453)
Net cash used in investing activities	(1,042)	(453)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of debt	(375)	(375)
Net cash used in financing activities	(375)	(375)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,367	12,757
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	27,537	23,136
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 29,904	\$ 35,893
SUPPLEMENTAL DISCLOSURES CASH FLOW INFORMATION:		
Interest paid, net of capitalized interest	\$ 11	\$ 44
Taxes paid	\$ -	\$ 700

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation—The consolidated financial statements include the accounts of Conrad Industries, Inc. and its wholly-owned subsidiaries (the “Company”) which are primarily engaged in the construction, conversion and repair of a variety of steel marine vessels for commercial and governmental customers. New construction work and some repair work are performed on a fixed-price basis. The Company performs a significant amount of our repair work under time and materials agreements. All significant intercompany transactions have been eliminated.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Changes in Accounting Principles—At the beginning of 2023, the Company adopted FASB ASU 2016-13, *Financial Instruments – Credits Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Company adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Company’s financial statements, but did change how the allowance for credit losses is determined.

Revenue and Cost Recognition—We are engaged in various types of construction under long-term construction contracts. In the process of performing construction contracts with our customers, the Company considers each contract to be one performance obligation, unless the circumstances dictate otherwise. Revenue is recognized as the work is performed over time and it is arrived at by determining the amount of labor hours incurred to date as it relates to total estimated labor hours after giving effect to the most recent estimates of labor hours to complete. This method is used because management considers expended labor hours to be the best available measure of progress on these contracts. Revenues from time and materials agreements are recognized on the basis of cost incurred during the period plus the fee earned.

Contract costs include all direct material, labor, and subcontracting costs, and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, depreciation, and insurance costs. Revisions in estimates of cost and earnings during the course of the work are reflected in the accounting period in which the facts which require the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The Company provides warranties for the work we perform for periods ranging from six-months to twelve-months. We generally do not warrant machinery and equipment furnished by other manufacturers that become part of the vessels we build, convert, or repair. The machinery and equipment manufacturers’ warranties are passed on to our customers. The warranty exposure for our workmanship, which is subject to our internal quality control programs as well as inspection by governmental agencies and customer representatives, is normally less than one percent of cost of revenue. This potential warranty exposure is recorded as a cost of the job.

Indirect costs are allocated to contracts and to certain inventory and capital projects on the basis of direct labor charges.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand, and on deposit. Short-term investments with original maturities of less than three months are also considered cash and cash equivalents because they can be easily liquidated without penalties.

Contract Receivables—Contracts receivables are carried at the outstanding amount due less an allowance for credit losses, if an allowance is deemed necessary. Allowances for credit losses are established when there is a basis to doubt the full collectability of the contracts receivable. On a periodic basis, the company evaluates its contracts receivable and determines the requirement for an allowance, based on its history of past write-offs, collections and current conditions. When a contract receivable is ultimately determined to be uncollectible and due diligence for collections has taken place, the contract receivable is written off.

Property, Plant and Equipment—Property, plant and equipment is stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the individual assets which range from three to forty years. Ordinary maintenance and repairs which do not extend the physical or economic lives of the plant or equipment are charged to expense as incurred.

Interest Capitalization—Interest costs for the construction of certain long-term assets are capitalized and amortized over the related assets' estimated useful lives. No interest costs were capitalized at March 31, 2026 and December 31, 2025.

Impairment of Long-Lived Assets—Long-lived assets held and used by us are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We assess the recoverability of long-lived assets by determining whether the carrying values can be recovered through undiscounted net cash flows expected to result from such operations and assets over their remaining lives. If impairment is indicated, the asset is written down to its fair value, or if fair value is not readily determinable, to its estimated discounted net cash flows. There was no impairment at March 31, 2026.

Inventories—At March 31, 2026, inventories consisted of steel plate and structurals, and excess job-related materials and supplies; at December 31, 2025, inventories consisted of two stock vessels, steel plate and structurals, and excess job-related materials and supplies. Inventories are stated at the lower of cost or market (first-in, first-out basis).

Basic and Diluted Net Income Per Share—Basic net income per share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per share uses the weighted average number of common shares outstanding adjusted for the incremental shares attributable to dilutive outstanding options to purchase common stock. The Company did not have any dilutive outstanding options for the first quarter of 2026 nor in 2025.

Fair Value of Financial Instruments—The carrying amounts of our financial instruments including cash and cash equivalents, receivables and payables approximate fair value at March 31, 2026 and December 31, 2025.

Income Taxes—Income taxes are accounted for using the asset and liability method. Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid.

Subsequent Events—We have evaluated events subsequent to the balance sheet date through May 13, 2026, the date the financial statements were available to be issued and determined that any events or transactions occurring during that period that would require recognition or disclosure are addressed in these financial statements.

Combined Contract—The Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

Uninstalled Materials—When the Company determines there are uninstalled materials on a contract, the Company recognizes revenue for the transfer of the goods but only in the amount equal to the percentage of labor hours incurred to date as it relates to total estimates.

Multiple Performance Obligations—Some of the Company’s contracts may have multiple performance obligations, most commonly due to the contract covering multiple phases of a project. For contracts with multiple performance obligations, the Company allocates the contract’s transaction price to each performance obligation using the Company’s best estimate of the standalone selling price of each distinct good in the contract.

Transaction Price—The nature of the Company’s contracts gives rise to several types of variable consideration, including claims, awards and incentive fees. The Company includes in the contract estimates of additional revenue for submitted contract modifications or claims against the customer when the Company believes it has an enforceable right to the modification or claim, the amount can be estimated reliably, and its realization is probable. In evaluating these criteria, the Company considers the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs and the objective evidence available to support the claim. The Company includes award or incentive fees in the estimated transaction price when there is a basis to reasonably estimate the amount of the fee. These estimates are based on historical award experience, anticipated performance and the Company’s best judgment at the time. Because of certainty in estimating these amounts, they are included in the transaction price of the contracts and the associated remaining performance obligations.

Contract Modifications—Contract modifications are routine in the performance of the Company’s contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods that are not distinct, and, therefore, are accounted for as part of the existing contract.

Advertising—Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. For the quarters ended March 31, 2026 and March 31, 2025, advertising expense was \$51,000 and \$24,000, respectively.

2. CONTRACTS RECEIVABLES

Receivables consisted of the following at March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Completed contracts and repairs	\$ 9,071	\$ 7,387
Contracts in progress	23,601	13,259
Retainage	2,353	-
	35,025	20,646
Less allowance for credit losses	(100)	(100)
	<u>\$ 34,925</u>	<u>\$ 20,546</u>

Included above in amounts billed is an allowance for credit losses of \$100,000 at March 31, 2026 and December 31, 2025. Unbilled costs and estimated earnings on uncompleted contracts were not billable to customers at the balance sheet dates under terms of the respective contracts. Of the unbilled costs and estimated earnings at March 31, 2026, the majority is expected to be collected within the next twelve months.

The Company had the following activity for its allowance for credit losses for contracts receivable at March 31, 2026 and December 31, 2025 (in thousands).

	March 31, 2026	December 31, 2025
Beginning balance	\$ 100	\$ 100
Provision for expected credit losses	-	29
Write-offs	-	(29)
Ending balance	<u>\$ 100</u>	<u>\$ 100</u>

Related billings in excess of costs and estimated gross profit on construction contracts in progress as of March 31, 2026 and December 31, 2025 are as follows (in thousands):

	March 31, 2026	December 31, 2025
Costs incurred to date on contracts in progress	\$ 222,334	\$ 221,595
Estimated gross income/(loss) to date	<u>(2,662)</u>	<u>5,499</u>
Contracts revenue earned to date	219,672	227,094
Less billings to date	<u>(211,145)</u>	<u>(212,696)</u>
Net excess of revenue earned over billings	<u>\$ 8,527</u>	<u>\$ 14,398</u>

The net excess of revenue earned over billings is included in the accompanying balance sheets under the following captions (in thousands):

	March 31, 2026	December 31, 2025
Costs and estimated gross profit in excess of billings on contracts in progress	\$ 34,757	\$ 31,919
Billings in excess of cost and estimated gross profit on contracts in progress	<u>(26,230)</u>	<u>(17,521)</u>
Net excess of billings over revenue earned	<u>\$ 8,527</u>	<u>\$ 14,398</u>

The revenue in excess of billings primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. The revenue in excess of billings balances are transferred to receivables when the rights become unconditional. The billings in excess of revenue primarily relate to the advance consideration received from customers, for which revenue has not yet been recognized.

Significant changes in revenue in excess of billings and billings in excess of revenue balances during the period are as follows:

	<u>Revenue in Excess of Billings</u>	<u>Billings in Excess of Revenue</u>
Balance, December 31, 2025	\$ 31,919	\$ 17,521
Revenue recognized that was included in contract liability balance at the beginning of the period	-	(234)
Increases due to cash received, excluding amounts recognized as revenue during the period	-	8,943
Increases due to revenue recognized prior to billings	10,692	-
Transferred to receivables from revenue in excess recognized at the beginning of the period	(7,854)	-
Balance, March 31, 2026	<u>\$ 34,757</u>	<u>\$ 26,230</u>

Pursuant to SOP 81-1, Paragraph 85-89 (ASC 605-35), when the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract should be made in the period it became evident. The provision for the loss should be recorded as an additional contract cost in the income statement. The offsetting liability can be recorded on the balance sheet where related contract costs are accumulated on the balance sheet, in which case the provision may be deducted from the related accumulated costs. The Company recorded total charges of \$1.6 million for each of the first quarters of 2026 and 2025, and charges of \$8.5 million and \$14.7 million for the years ended December 31, 2025 and 2024, respectively, in cost of revenues to reflect revised estimates related to anticipated losses on certain uncompleted vessels in progress. The offsetting credit was recorded in costs and estimated earnings, net in excess of billings on uncompleted contracts. As of March 31, 2026 and December 31, 2025, approximately \$13.2 million and \$19.7 million, respectively, of these provisions are included in costs and estimated earnings, net in excess of billings on uncompleted contracts.

3. CONTRACT BACKLOG

The following schedule is a reconciliation of contract backlog (remaining performance obligations) representing approved contracts as of March 31, 2026 (in thousands):

Balance, January 1, 2026	\$ 213,854
Contract adjustments and new contracts awarded	<u>48,150</u>
Subtotal	262,004
Less contract revenue earned	<u>(62,426)</u>
Balance, March 31, 2026	<u>\$ 199,578</u>

The Company will recognize this revenue as the contracts are completed, which is expected to occur over the next twelve to twenty-four months.

Contract backlog does not include amounts considered variable consideration that are constrained based on the Company's assessment of probability of significant reversal.

4. OTHER RECEIVABLES

Other receivables consisted of the following at March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Income tax refund	\$ -	\$ 1,084
Total	<u>\$ -</u>	<u>\$ 1,084</u>

Included on the balance sheet at December 31, 2025, in other receivables, was a receivable of \$1.1 million from the Internal Revenue Service (“IRS”) related to tax year 2017 net operating loss carryback to tax year 2015, which remained open at year end 2025. In March 2026, we received payment from the IRS in the amount of \$1.34 million in full settlement of this receivable, plus accrued interest.

On July 5, 2024, the Company entered into a promissory note and security agreement with a customer, with an original amount of \$2,211,000 payable in two monthly payments of \$50,000 plus accrued interest and a third final payment of \$2,111,000 plus accrued interest due on December 31, 2024. On December 31, 2024, the receivable was deemed uncollectible and written off for \$2,111,000 plus accrued interest of \$35,190. As of December 31, 2024, the notes receivable balance was \$0. In May 2025, a recovery in the amount of \$1,478,000 was received and is reflected in our 2025 financials.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Land	\$ 12,832	\$ 12,832
Buildings and improvements	74,459	74,459
Machinery and equipment	38,052	38,014
Drydocks and bulkheads	16,670	16,670
Barges and boats	1,022	1,022
Office and automotive	2,235	2,235
Construction in progress	2,214	1,227
	147,484	146,459
Less accumulated depreciation	<u>(105,458)</u>	<u>(104,498)</u>
	<u>\$ 42,026</u>	<u>\$ 41,961</u>

Depreciation is provided on property, plant and equipment based on the following estimates of useful lives:

	Useful Lives
Land	N/A
Buildings and improvements	3-40 years
Machinery and equipment	5-12 years
Drydocks and bulkheads	3-30 years
Barges and boats	10-15 years
Office and automotive	3-12 years
Construction in progress	N/A

Building and improvements include buildings (40-year useful life), fencing, roadways, parking lots, concrete work areas, material storage racks and shelving, launch systems, and storage lockers (5-year useful life). Drydocks and bulkheads include drydocks (30-year useful life), bulkheads, pontoons, and blocking systems (5-year useful life).

6. LEASES

The Company leases office space and equipment under operating leases with various expiration dates. A number of the leases include one or more options to renew the lease terms or terminate the lease. The exercise of these options is at the Company's discretion and is therefore recognized on the balance sheet when it is reasonably certain the Company will exercise such options. As the Company's leases typically do not contain a readily determinable implicit rate, the Company determines the present value of the lease liability using its incremental borrowing rate at the lease commencement date. The lease asset is reflected within other noncurrent assets, and the current and noncurrent portions of the lease liability are reflected within accrued expenses and other noncurrent liabilities, respectively, on our balance sheet.

Future minimum payments under leases having initial terms of more than twelve months are as follows (in thousands):

	Minimum Payments
2026 (remaining)	\$ 332
2027	370
2028	234
2029	128
2030	115
Thereafter	210
Total lease payments	\$ 1,389
Less: imputed interest	(203)
Present value of lease liabilities	<u>\$ 1,186</u>

The following table summarizes the line items in the balance sheet which include amounts for operating leases as of March 31, 2026 and December 31, 2025 (in thousands):

	March 31, 2026	December 31, 2025
Operating lease right-of-use assets	<u>\$ 1,179</u>	<u>\$ 1,271</u>
Current portion of operating lease liabilities	363	355
Non-current portion of operating lease liabilities	823	916
Total operating lease liabilities	<u>\$ 1,186</u>	<u>\$ 1,271</u>

The operating lease right-of-use assets are reflected within other noncurrent assets, and the current and noncurrent portions of the operating lease liabilities are reflected within accrued expenses and other noncurrent liabilities, respectively, on our balance sheet. Total components of operating lease expenses for leases that are included as lease expense in the statement of operations and cash paid for interest and lease expenses for the quarter ended March 31, 2026 was \$114,000 and for the quarter ended March 31, 2025 was \$103,000. Weighted average lease term and discount rate as of March 31, 2026 were 4.3 years and 8.0%, respectively.

7. LONG-TERM DEBT

Long-term debt consists of the following at March 31, 2026 and December 31, 2025 (in thousands):

	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>
Term loan - Bank, 3.5% due November 21, 2026	\$ 1,000	\$ 1,375
Less current maturities	<u>(1,000)</u>	<u>(1,375)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company and its subsidiaries entered into a loan agreement on November 21, 2016, providing for a \$15 million term loan and a \$10 million revolving credit facility. Pursuant to an amendment effective as of January 31, 2025, the maturity of the revolving credit facility was extended to April 30, 2025, then pursuant to an amendment effective February 28, 2025, the maturity of the revolving credit facility was extended to May 31, 2026. Borrowings on the revolving credit facility may not exceed the lesser of \$10 million or 80% of eligible accounts. The interest rate on the line of credit is one-month Term SOFR, plus 2.5% subject to a 3.5% floor, with an initial rate of 6.875%. The line of credit, as amended, has a sublimit of up to \$10 million for letters of credit. At March 31, 2026, one \$1 million letter of credit was committed against the credit facility, and it expires on August 14, 2026, reducing the availability on the credit facility to the lesser of \$9.0 million or 80% of eligible accounts. The term loan has a 120-month amortization, a 3.5% fixed interest rate, and can be prepaid without penalty at any time. The loans are secured by accounts receivable, deposit accounts and chattel paper, and by two dry-docks. The loan agreement contains restrictions on mergers and liens on the collateral and the capital stock of our subsidiaries. Subject to compliance with financial covenants, the loan agreement does not restrict our ability to pay dividends, repurchase shares of common stock, or incur additional indebtedness. Effective as of June 30, 2025, the Company must comply with the following financial covenants at the end of each fiscal quarter: (i) total liabilities to tangible net worth of no greater than 1.25 to 1.00, (ii) debt service coverage ratio of not less than 1.25 to 1.00, and (iii) current assets to current liabilities of not less than 1.0 to 1.0. For additional information, see *2025 Annual Report – Note 8 of Financial Statements*.

8. SHAREHOLDERS' EQUITY

Dividends

The declaration of future dividends is at the discretion of the Company's board of directors (the "Board") each quarter, and will depend upon the Company's financial performance, cash requirements, outlook and other factors deemed relevant by the Board.

Treasury Stock

In August 2010, the Board authorized management to repurchase up to \$5.0 million of its outstanding common stock. The stock repurchase plan did not obligate management to acquire any particular amount of common stock, did not have an expiration date and could be amended or terminated at any time without prior notice. In 2014, the Board increased the amount authorized under the plan, up to \$20 million. In May 2025, the Board reauthorized the \$1.0 million remaining available under the program and authorized an additional \$1.0 million for repurchases under the program. In the first quarter of 2026, no shares were purchased under the stock repurchase program. Since 2010, the Company has repurchased 1,447,347 shares of common stock. As of March 31, 2026, \$2.0 million remained available under the stock repurchase program.

Income per Share

The calculation of basic income per share excludes any dilutive effect of stock options, while diluted income per share includes the dilutive effect of stock options. The number of weighted average shares outstanding for basic income per share was 5,017,935 for the first quarters of 2026 and 2025. For the first quarters of 2026 and 2025 there were no stock options outstanding.

Stockholders' Rights Plan

During May 2002, we adopted a stockholders' rights plan (as amended, the "Rights Plan"), which was amended in May 2012 and May 2022. The Rights Plan is intended to protect stockholder interests in the event we become the subject of a takeover initiative that the Board believes could deny our stockholders the full value of their investment. The adoption of the Rights Plan was intended as a means to guard against abusive takeover tactics and was not in response to any particular proposal. The Rights Plan does not prohibit the Board from considering any offer that it considers advantageous to stockholders.

Under the Rights Plan, we declared and paid a dividend on June 18, 2002 of one right for each share of our common stock held by stockholders of record on June 11, 2002. As amended, each right initially entitles our stockholders to purchase one one-thousandth of a share of our preferred stock for \$70 per right, subject to adjustment. However, if a person acquires, or commences a tender offer that would result in ownership, of 15 percent or more of our outstanding common stock while the Rights Plan remains in place, then, unless we redeem the rights for \$0.001 per right, the rights will become exercisable by all rights holders except the acquiring person or group for shares of common stock or of the acquiring person having a market value of twice the purchase price of the rights.

The rights will expire on May 23, 2032, unless redeemed or exchanged at an earlier date. The rights trade with shares of our common stock and have no impact on the way in which our shares are traded. There are currently no separate certificates evidencing the rights, and there is no market for the rights.

9. EMPLOYEE BENEFITS

We have a 401(k) plan that covers all employees who meet certain eligibility requirements. Contributions to the 401(k) plan by us are made at the discretion of the Board. Contribution expense related to the 401(k) plan was \$239,000 and \$227,000 for the first quarters of 2026 and 2025, respectively.

10. INCOME TAXES

We have provided for federal and state income taxes as follows (in thousands):

	Three months ended	
	March 31,	
	2026	2025
Current provision	\$ 403	\$ 1,197
Deferred provision	662	105
Total	<u>\$ 1,065</u>	<u>1,302</u>

Our provision for income taxes for years 2011 through 2015 included income tax benefits as a result of research and development tax credits. In May 2025, we finalized a settlement with the IRS on tax year 2014 and 2015 research and development credits. The remaining IRS receivable of \$1.1 million related to tax year 2017 net operating loss carryback to tax year 2015 remained open at year end 2025. In March 2026, we received payment from the IRS in the amount of \$1.34 million in full settlement of this receivable, plus accrued interest.

State income taxes included above are insignificant for the periods presented.

The provision for income taxes varied from the federal statutory income tax rate due to the following (in thousands):

	Three months ended March 31,			
	2026		2025	
	Amount	%	Amount	%
Taxes at federal statutory rate	\$ 897	21.0	\$ 1,086	21.0
Non-deductible other expenses, net of non-reportable income	59	1.0	17	0.3
State income taxes	109	2.5	199	3.9
Total	\$ 1,065	24.5	\$ 1,302	25.2

Deferred income taxes represent the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effects of significant items comprising our net deferred tax balances at March 31, 2026 and March 31, 2025 are as follows (in thousands):

	Three months ended March 31,	
	2026	2025
Deferred tax liabilities:		
Differences between book and tax basis of property, plant and equipment	\$ 1,621	\$ 1,169
	1,621	1,169
Deferred tax assets (included in other current assets):		
Contracts in progress	2,766	11,837
Accrued expenses not currently deductible	(8,647)	(23,736)
	(5,881)	(11,899)
Net deferred tax assets	\$ (4,260)	\$ (10,730)

11. SALES TO MAJOR CUSTOMERS

Sales to various customers that amounted to 10 percent or more of our total revenues for the three months ended March 31, 2026 and March 31, 2025 are summarized as follows (in thousands):

	Three months ended March 31,			
	2026		2025	
	Amount	%	Amount	%
Customer A	15,994	23%	10,513	13%
Customer B	6,607	10%	-	0%
Customer C	-	0%	10,393	13%
Customer D	422	1%	9,269	12%
Customer E	2,605	4%	8,201	10%
Customer F	2,918	4%	7,987	10%

12. RELATED PARTY TRANSACTIONS

We purchase in the ordinary course of business certain components from Johnny's Propeller Shop, Inc., a company wholly owned indirectly by John P. Conrad, Jr., Executive Chairman of the Board and members of his immediate family. Total purchases for the first quarters of 2026 and 2025 were \$208,000 and \$597,000, respectively. In addition, John P. Conrad Jr.'s son, not involved in the Company, has an ownership interest in a business from which we purchased electrical components totaling \$424,000 and \$429,000 for the first quarters of 2026 and 2025, respectively. All related party transactions were approved by the Independent Directors Committee.

13. SEGMENT AND RELATED INFORMATION

Our President and Chief Executive Officer makes operating decisions and measures performance of our business primarily by viewing our two separate lines of business or products and services, which we consider to be construction of new vessels and the repair and conversion of existing vessels.

Accordingly, we classify our business into two segments: (1) vessel construction and (2) repair and conversions. Our vessel construction segment involves the building of new vessels, often including engineering and design, whereas our repair and conversions segment involves work on existing vessels. Vessel construction jobs are typically of longer duration and have a much larger material component than repair and conversion jobs. Additionally, vessel construction activities are primarily performed in shore-based buildings and dedicated work areas, whereas repair activities primarily occur on floating drydocks or on the vessel itself while afloat. Our vessel construction activities are almost always performed under fixed-price contracts accounted for under the percentage-of-completion method of accounting, whereas our repair activities are primarily performed under cost-plus-fee arrangements.

Our product offerings in vessel construction have changed over time to meet market demands and currently include large and small deck barges, crane barges, spud barges, docking barges, tank barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG (liquefied petroleum gas) barges, LNG (liquefied natural gas) bunker vessels, lift boats, ferries, and other offshore support vessels, and structural building foundations. Our repair work involves maintenance and repair of existing vessels, which is often required as a result of periodic inspections required by the U.S. Coast Guard, the American Bureau of Shipping and other regulatory agencies. Our conversion projects primarily consist of lengthening the midbodies of vessels, modifying vessels to permit their use for a different type of activity and other modifications to increase the capacity or functionality of a vessel.

We evaluate the performance of our segments based upon gross profit. Selling, general and administrative expenses, executive compensation expense, interest expense, other income/(expense), net and income taxes are not allocated to the segments. Accounting policies are the same as those described in Note 1, "Summary of Significant Accounting Policies." Intersegment sales and transfers are not significant.

Selected information as to our operations by segment is as follows (in thousands):

	Three months ended	
	March 31,	
	2026	2025
Revenue		
Vessel construction	\$ 62,626	\$ 73,387
Repair and conversions	6,724	7,096
Total revenue	<u>69,350</u>	<u>80,483</u>
Cost of revenue		
Vessel construction	57,586	67,287
Repair and conversions	5,490	6,170
Total cost of revenue	<u>63,076</u>	<u>73,457</u>
Gross profit		
Vessel construction	5,040	6,100
Repair and conversions	1,234	926
Total gross profit	<u>6,274</u>	<u>7,026</u>
S G & A expenses	2,460	2,160
Income from operations	<u>3,814</u>	<u>4,866</u>
Interest expense	(11)	(44)
Other income/(expense), net	471	350
Income before income taxes	4,274	5,172
Provision for income taxes	1,065	1,302
Net income	<u>\$ 3,209</u>	<u>\$ 3,870</u>

Certain other financial information by segment is as follows (in thousands):

	Three months ended	
	March 31,	
	2026	2025
Depreciation and amortization expense:		
Vessel construction	\$ 750	\$ 679
Repair and conversions	224	244
Included in selling, general and administrative expenses	4	4
Total depreciation and amortization expense	<u>\$ 978</u>	<u>\$ 927</u>

Total assets and capital expenditures by segment are as follows (in thousands):

	March 31,	December 31,
	2026	2025
Total assets:		
Vessel construction	\$ 80,534	\$ 71,930
Repair and conversions	24,164	20,927
Other	46,875	46,913
Total assets	<u>\$ 151,573</u>	<u>\$ 139,770</u>

	Three months ended	
	March 31,	
	2026	2025
Capital expenditures:		
Vessel construction	\$ 1,042	\$ 436
Repair and conversions	-	-
Other	-	17
Total capital expenditures	<u>\$ 1,042</u>	<u>\$ 453</u>

Certain assets, including cash and cash equivalents, and capital expenditures are allocated to corporate and are included in the “Other” caption.

Revenues included in our consolidated financial statements are derived exclusively from customers domiciled in the United States and Puerto Rico. All of our assets are located in the United States.

14. COMMITMENTS AND CONTINGENCIES

Legal Matters—We are a party to various routine legal proceedings primarily involving commercial claims and workers’ compensation claims. While the outcome of these routine claims and legal proceedings cannot be predicted with certainty, management believes that the outcome of such proceedings in the aggregate, even if determined adversely, would not have a material adverse effect on our consolidated financial position, results of operation or liquidity.

Severance and Change in Control Agreements— On October 23, 2025, the Company entered into severance and change of control agreements with its four executive officers. The agreements provide that if the executive’s employment is terminated by the Company without “cause” or by the executive for “good reason,” the executive will receive (1) his target bonus prorated based on the number of days worked during the year (“pro-rata bonus”), (2) health and wellness benefits continuation for up to 24 months for the executive Chairman and the President

and Chief Executive Officer and up to 18 months for the other two executives, and (3) a lump sum cash payment equal to a multiple of the sum of the executive's salary and target bonus of 2.0 times in the case of the President and Chief Executive Officer, 1.5 times in the case of the Chief Financial Officer and 1.0 times in the case of the Senior Vice President. If the executive's employment is terminated due to death or disability, the Company will pay the pro-rata bonus to him or his legal representative. In the event of a "change of control," for a two-year period thereafter, the executive is generally entitled to compensation and benefits at least as favorable as those in effect prior to the "change of control," subject to earlier termination of employment and (if applicable) receipt of the severance benefit described above. The agreements continue in effect through December 31, 2027 and are automatically extended for one year annually thereafter, unless 90 days prior notice is given to the executive.

Long-Term Stock Incentive Plan— On January 21, 2026, the Board adopted the Company's 2026 Stock Incentive Plan (the "Plan"). The Plan authorizes the grant of various types of equity awards, such as restricted stock, restricted stock units ("RSUs"), stock options and stock appreciation rights, to eligible participants, which include the Company's employees, non-employee directors and consultants. The Plan is administered by the independent directors committee (the "Committee") of the Board. As administrator of the Plan, the Committee has the authority to designate participants in the Plan, grant awards and determine the terms and conditions thereof. The Committee can also delegate its authority to one or more officers of the Company. A total of 300,000 shares of the Company's common stock have been reserved for issuance under the Plan.

Restricted Stock Units (RSUs)— RSUs are awards denominated in units of shares of the Company's common stock under which the issuance of such shares is subject to such conditions (including continued employment or service or performance conditions) and terms as Committee deems appropriate. Plan participants have no voting rights with respect to shares underlying RSUs, unless and until such RSUs vest.

As of March 31, 2026, a total of 191,648 RSUs have been granted under the Plan, including 86,741 time-based RSUs and 104,907 performance-based RSUs ("PSUs"). The time-based RSUs will vest on the third anniversary of the grant date. The performance period applicable to the PSUs granted in 2026 is January 1, 2026 through December 31, 2028 (the "Performance Period") and the number of PSUs granted to each recipient represents the target award (the "Target PSUs"). The actual number of PSUs earned by each recipient following the end of the Performance Period will range between 0%-150% of the applicable Target PSUs and will be determined based on the Company's achievement of the applicable financial and safety performance metrics and goals established by the Committee. As of March 31, 2026, approximately 108,352 shares remain available for grant under the Plan.

Letters of Credit and Bonds— In the normal course of our business, we may be required to provide letters of credit to secure the payment of workers' compensation obligations. Additionally, under certain contracts we may be required to provide letters of credit and bonds to secure our performance and payment obligations. Bonds relating to these business activities amounted to \$171.5 million at each of March 31, 2026 and December 31, 2025. We had letters of credit under our revolving credit facility at March 31, 2026 and December 31, 2025 of \$1.0 million. The \$1.0 million letter of credit will expire on August 14, 2026. See Note 7 for additional information.

Inflation; Interest Rates— High inflation and interest rates, initially due in part to supply shortages and other uncertainties related to the pandemic recovery, have adversely impacted our business. Inflation increased rapidly during 2021 through June 2022. After June 2022, the rate of inflation generally declined; however, it has remained higher than the Federal Reserve's target rate of inflation of two percent. The Federal Reserve raised the federal funds target rate multiple times from March 2022 through July 2023, by 525 basis points on a cumulative basis. Between September 2024 and December 2024, the Federal Reserve lowered the federal funds target rate by 100 basis points on a cumulative basis, to a range of 4.25 to 4.50%. On September 17, 2025, the Federal Reserve lowered the target range for the federal funds rate by 25 basis points, setting the range at 4.00% to 4.25%. On October 29, 2025, the Federal Reserve announced a 25 basis point cut, bringing the benchmark federal funds rate down to a range of 3.75% to 4.0%. In late 2020 and throughout 2021, steel prices increased sharply. While steel prices appeared to be softening in the beginning of 2022, the Russian invasion of Ukraine beginning on February 24, 2022 drove steel prices higher, ultimately peaking in June and July of 2022. Steel prices have generally declined since then although they have continued to rise since January 2025 and remain significantly higher than pre-pandemic levels.

MARAD Grant— The Company was awarded a grant from the U.S. Maritime Administration (“MARAD”) in the amount of \$418,200 as part of the MARAD FY 2025 Small Shipyard Grant Program. This grant is being used to purchase a Computer Numerical Control (“CNC”) plasma cutting system for our yard in Orange, Texas. The total cost of the CNC project is \$836,400, half of which will be funded by the MARAD grant and the other half of which will be funded by the Company. The Company must expend its required portion for the CNC project before any portion of the MARAD grant is disbursed.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes to consolidated financial statements included elsewhere in this report and should be read in conjunction with our 2025 Annual Report.

Overview

We primarily specialize in the construction, conversion and repair of a wide variety of steel marine vessels for commercial and government customers and have begun supporting industrial fabrication projects. These vessels include large and small deck barges, crane barges, spud barges, docking barges, tank barges, berthing barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG barges, LNG bunker vessels, lift boats, ferries, anchor barges, and other offshore support vessels. We operate five shipyards: one in Morgan City, Louisiana, three in Amelia, Louisiana and one in Orange, Texas.

For the first quarter of 2026 our vessel construction segment accounted for 90.3% of our total revenue and our repair and conversions segment accounted for 9.7% of our total revenue. For the year ended December 31, 2025, our vessel construction segment accounted for 92.1% of our total revenue and our repair and conversions segment accounted for 7.9% of our total revenue.

For the first quarter of 2026, we recognized total revenues of \$69.4 million, net income of \$3.2 million and income per diluted share of \$0.64, compared to revenues of \$80.5 million, net income of \$3.9 million, and income per diluted share of \$0.77 in the first quarter of 2025.

The decrease in net income for the first quarter of 2026, compared to the first quarter of 2025, was primarily due to slightly lower gross profit in our vessel construction segment. Net income in the first quarter of 2026 primarily resulted from profitable jobs, improved performance on contracts, fewer loss jobs, and favorable adjustments on projects for which we recorded forward losses in previous periods, offset partially by higher overhead allocations as we experienced lower overall volume compared to the first quarter of 2025.

Gross profit in the vessel construction segment totaled \$5.0 million primarily relating to favorable pricing on contracts signed in 2025 and continued good performance. Gross profit in the repair and conversions segment was \$1.2 million for the first quarter of 2026, compared to \$926,000 for the first quarter of 2025. The increase in gross profit in the repair and conversions segment for the first quarter of 2026 was primarily due to higher margin projects.

At March 31, 2026, we had cash and cash equivalents of \$29.9 million compared to \$27.5 million at December 31, 2025. Working capital was \$63.7 million at March 31, 2026 compared with \$60.5 million at year-end 2025. Total debt was \$1.0 million and \$1.4 million at March 31, 2026 and December 31, 2025, respectively. As of March 31, 2026, no amounts were drawn on our \$10 million revolving credit facility and one \$1 million letter of credit was committed against the credit facility, leaving \$9 million available to draw under the facility. In February 2025, the maturity of the revolving credit facility was extended to May 31, 2026. See Note 7 for additional information.

Our operating results for the first quarter of 2026 have decreased slightly year-over-year, due to continued challenges. We continue to encounter rising steel prices due in part to steel tariffs, and heightened uncertainty surrounding inflation, U.S. trade policy and foreign policy. Many of these factors remain elevated relative to historical norms, and the labor market remains tight. The Company has historically responded to market-driven labor cost pressures as appropriate and continues to evaluate conditions to ensure workforce stability and competitiveness.

In spite of these challenges, management remains cautiously optimistic about the remainder of 2026. For additional information regarding steel prices, refer to our *2025 Annual Report – Business Overview – Materials and Supplies*. We experienced an improving vessel construction market in 2025, specifically in the infrastructure and government markets, while energy transportation and energy industry remained soft. We believe that during 2025 and the first quarter of 2026, largely as a result of continued high steel prices due in part to the new steel tariffs, and other inflationary cost increases, some vessel construction customers delayed new orders and we are uncertain how much longer such delays will continue.

Although we face substantial uncertainties in our markets, we believe we benefit from several competitive advantages, including our shipyard capacity, continued investments to improve shipyard capabilities and efficiencies, and our experienced management and engineering teams, and dedicated workforce. We also believe we benefit from a strong reputation for quality, environmental, and workplace safety, as evidenced by multiple industry recognitions, including the 2025 Western Dredging Association (WEDA) Safety Excellence Award, the 2024 and 2025 American Equity Underwriters, Inc. (AEU) Safety Awards, the Shipbuilders Council of America (SCA) “Excellence in Safety” Awards in 2024 and 2025, the SCA’s 2025 “Improvement in Safety” Award and the “Significant Safety Achievement” Award for 2025.

Market conditions in certain industries remain positive. For example, the infrastructure market continues to be strong, providing attractive projects and opportunities, and our Amelia facility is currently constructing YRBM vessels for the U.S. Navy, as discussed in the paragraph below.

In recent years, we have pursued and secured opportunities to construct different types of vessels for new markets. Some of these vessels are larger and more complex, with longer start-up and completion timelines than the vessels we have historically produced. While we have recorded losses on certain projects, we believe these efforts have strengthened our production processes, expanded our engineering and project management capabilities, and diversified our product mix. We also believe that our capital improvement program at our Deepwater South yard has enhanced our ability to compete for larger, more complex projects. Although these projects can involve additional risk, they may also provide a more stable backlog over longer periods. We believe that contracts executed during 2025 and through first quarter of 2026 generally reflect lessons learned on prior jobs, are less complex, and are more accurately priced.

Demand for our products and services depends on several factors, including overall economic conditions affecting our customers and end markets, the age and condition of vessels operated by our customers, the relative cost of new construction compared to vessel repair, and the availability of government funding and related legislation. Because a portion of our repair work is derived from the energy industry, conditions in that industry also affect our repair segment.

In March 2022, we were awarded a fixed-price contract by the U.S. Navy for the design and construction of a Yard, Repair, Berthing and Messing (“YRBM”) barge, with options for an additional seven barges. The YRBM barges provide a temporary home away from home and workplace for U.S. service men and women whose vessels are in port for repairs and/or maintenance. The U.S. Navy exercised options for three additional YRBM barges during 2022, an option during 2023 for the fifth YRBM barge, and options for the sixth, seventh, and eighth YRBM barges were exercised in 2024. During 2025, the Company was awarded fixed-price contract modifications to the previously awarded contract for the design and construction of three additional YRBM barges (ninth, tenth, and eleventh units), increasing the total contract value awarded through year-end 2025 to \$237.5 million. We delivered the first YRBM barge to the U.S. Navy in 2024 and the second, third, and fourth YRBM barges in March, August, and December 2025, respectively. We expect to deliver three additional YRBM barges during 2026 and the eighth barge of the original contract thereafter. On May 13, 2026, subsequent to quarter end, we were awarded a \$122.4 million fixed-price contract modification for the design and construction of four additional YRBM barges (twelfth through fifteenth units) bringing the aggregate contract value to approximately \$359.9 million.

We announced on August 29, 2023 that we were awarded a contract by the Puerto Rico Maritime Transit Authority for the construction of four cargo and passenger ferry vessels. The ferries, designed to carry 300 passengers and 300 short tons of cargo, will operate between the Municipality of Ceiba and the Municipality Islands of Vieques and Culebra in Puerto Rico. The first cargo and passenger ferry vessel was delivered to San Juan, Puerto Rico in December 2024, the second was delivered in January 2026, the third vessel was delivered in March 2026, and the fourth vessel is scheduled for delivery in May 2026.

During the first quarter of 2026 and for the year ended December 31, 2025, we received approximately 50.6% and 59.9%, respectively, of our total revenues from commercial customers, 39.3% and 38.0%, respectively, from government customers and 10.1% and 2.1%, respectively, from customers in the Gulf of America oil and gas industry.

During the first quarter of 2026, our backlog increased by \$46.8 million, as compared to a \$67.3 million increase in the first quarter of 2025. Our backlog was \$199.6 million at March 31, 2026, \$213.9 million at December 31, 2025

and \$292.0 million at March 31, 2025. As of March 31, 2026 and December 31, 2025, approximately 44.9% and 48.8%, respectively, of our backlog related to the YRBM project. We expect to complete approximately 73.3% of our backlog at March 31, 2026 during 2026. Our management team is focused on effectively executing our backlog and obtaining additional profitable backlog.

Our vessel construction and fabrication projects in progress as of March 31, 2026 consisted of 34 vessels: seven YRBM barges, five deck barges, four spud barges, four LPG barges, four 30,000 bbl tank barges, two drydock modules, two ice class tugs, two crane barges, two hopper barges, one ferry, and one landing barge, as well as nine projects with multiple structural building foundations. Our commercial customers consist of a very diverse group that crosses a wide range of businesses including the dredging, construction, towing, and bunkering markets. We also construct vessels for government customers including the U.S. Army Corps of Engineers and state departments of transportation and were awarded the YRBM contracts from the U.S. Navy in 2022 and additional YRBM contract modifications in March and June of 2025, and February of 2026.

From time to time, to fill gaps in our construction schedules, we have constructed stock vessels that were not under contract, which we believed we could convert to contracts if not shortly after starting construction then prior to completion of the project. The primary goal of this strategy is to maintain operational efficiencies and revenue volume between contracted projects. In the past, we have also constructed stock vessels for strategic business and marketing reasons. The ultimate selling price and timing of the sales of stock vessels can have an impact on our revenue, profitability, and working capital. At December 31, 2025 and March 31, 2026, we had two stock vessels under construction. On March 12, 2026, we entered into a contract to sell the two stock vessels that were under construction at December 31, 2025.

Our vessel construction projects generally range from one month to twenty-four months in duration. We use the percentage-of-completion method of accounting and therefore take into account the estimated costs, estimated earnings, and revenue to date on fixed-price contracts not yet completed. The amount of revenue recognized is based on the portion of the total contract price that the labor hours incurred to date bears to the estimated total labor hours, based on current estimates to complete the project. This method is used because management considers expended labor hours to be the best available measure of progress on these contracts. Revenues from cost-plus-fee contracts are recognized on the basis of cost incurred during the period plus the fee earned.

Most of the contracts we enter into for new vessel construction, and some of our contracts for conversion and repair, whether commercial or governmental, are fixed-price contracts under which we retain all cost savings on completed contracts but are liable for all cost overruns. We develop our bids for a fixed price project by estimating the amount of labor hours and the cost of materials necessary to complete the project and then bid the projects in order to achieve a sufficient profit margin to justify the allocation of our resources to such project. Our revenues therefore may fluctuate from period to period based on, among other things, labor hours, timing and general delays, the aggregate amount of materials used in projects during a period and whether the customer provides materials and equipment. We perform many of our conversion and repair services on a time and materials basis pursuant to which the customer pays a negotiated labor rate for labor hours spent on the project as well as the cost of materials plus a margin on materials purchased. Repair projects may take a few days to a few weeks, although some extend for a longer period.

On July 4, 2025, the One Big Beautiful Bill Act (“OBBBA”) was signed into law, enacting a broad range of federal tax changes, including the extension and modification of certain provisions originally enacted under prior tax legislation. The Company has evaluated the impact of the OBBBA on its financial position, results of operations, and cash flows. Based on this evaluation, the Company does not believe the OBBBA, as enacted, will have a material impact on its consolidated financial statements. The Company will continue to assess the potential effects of the OBBBA’s tax provisions as additional interpretive guidance becomes available and as implementation continues through 2026.

We voluntarily delisted our common stock from The Nasdaq Stock Market on March 30, 2005 and, simultaneously with delisting, filed a Form 15 with the SEC to voluntarily deregister our common stock under Section 12 of the Securities Exchange Act of 1934, as amended (the “Act”), and suspend our obligation to file reports pursuant to Section 15(d) of the Act primarily to reduce expenses.

Results of Operations

The following table sets forth certain of our historical data and percentage of revenues for the periods presented (in thousands):

Conrad Industries, Inc. Summary Results of Operations (In thousands)

	Three months ended March 31,			
	2026		2025	
Financial Data:				
Revenue				
Vessel construction	\$ 62,626	90.3%	\$ 73,387	91.2%
Repair and conversions	6,724	9.7%	7,096	8.8%
Total revenue	<u>69,350</u>	100.0%	<u>80,483</u>	100.0%
Cost of revenue				
Vessel construction	57,586	92.0%	67,287	91.7%
Repair and conversions	5,490	81.6%	6,170	87.0%
Total cost of revenue	<u>63,076</u>	91.0%	<u>73,457</u>	91.3%
Gross profit				
Vessel construction	5,040	8.0%	6,100	8.3%
Repair and conversions	1,234	18.4%	926	13.0%
Total gross profit	<u>6,274</u>	9.0%	<u>7,026</u>	8.7%
S G & A expenses	<u>2,460</u>	3.5%	<u>2,160</u>	2.7%
Income from operations	3,814	5.5%	4,866	6.0%
Interest expense	(11)	0.0%	(44)	-0.1%
Other income/(expense), net	<u>471</u>	0.7%	<u>350</u>	0.4%
Income before income taxes	4,274	6.2%	5,172	6.4%
Provision for income taxes	<u>1,065</u>	1.5%	<u>1,302</u>	1.6%
Net income	<u>\$ 3,209</u>	4.6%	<u>\$ 3,870</u>	4.8%
EBITDA ⁽¹⁾	<u>\$ 5,263</u>	7.6%	<u>\$ 6,143</u>	7.6%
Net cash provided by				
operating activities	<u>\$ 3,784</u>		<u>\$ 13,585</u>	
Net cash used in investing				
activities	<u>\$ (1,042)</u>		<u>\$ (453)</u>	
Net cash used in financing				
activities	<u>\$ (375)</u>		<u>\$ (375)</u>	

- (1) Represents earnings before deduction of interest, taxes, depreciation and amortization. EBITDA is not a measure of cash flow, operating results or liquidity as determined by generally accepted accounting principles. We have included information concerning EBITDA as supplemental disclosure because management believes that EBITDA provides meaningful information regarding a company's historical ability to incur and service debt. EBITDA as defined and measured by us may not be comparable to similarly titled measures reported by other companies. EBITDA should not be considered in isolation or as an alternative to, or more meaningful than, net

income or cash flow provided by operations as determined in accordance with generally accepted accounting principles as an indicator of our profitability or liquidity.

The following table sets forth a reconciliation of net cash provided by operating activities to EBITDA for the periods presented (in thousands):

	Three months ended	
	March 31,	
	<u>2026</u>	<u>2025</u>
Net cash provided by operating activities	\$ 3,784	\$ 13,585
Interest expense	11	44
Provision for income taxes	1,065	1,302
Deferred income tax benefit	(662)	(105)
Changes in operating assets and liabilities	1,065	(8,683)
EBITDA	<u>\$ 5,263</u>	<u>\$ 6,143</u>

Revenue for the first quarter of 2026 decreased \$11.1 million, or 13.8%, to \$69.4 million compared to \$80.5 million generated for the same period in 2025. The decrease was due to a \$10.8 million, or 14.7% decrease in vessel construction revenue and decrease of \$372,000, or 5.2%, in repair and conversion revenue for the first quarter of 2026 compared to the same period in 2025. Vessel construction hours for the first quarter of 2026 decreased 24.4%, when compared to the same period in 2025. Repair and conversion hours decreased 17.3% for the first quarter of 2026 when compared to the same period in 2025. Revenue decreased primarily due to lower volume.

For the first quarter of 2026, vessel construction revenue was 90.3% of total revenue compared to 91.2% for the same period in 2025 and repair and conversion revenue was 9.7% of total revenue compared to 8.8% for the same period in 2025. For the first quarter of 2026, 50.6% of vessel construction revenue was from commercial customers, 39.3% of revenue was government customers, and 10.1% was from customers in the energy sector. This compares to 71.2% commercial, 28.2% government, and 0.6% energy for the same period in 2025.

Gross profit was \$6.3 million, or 9.0% of revenue, for the first quarter of 2026, compared to \$7.0 million, 8.7% of revenue, for the same period of 2025. The decrease in gross profit was primarily attributable to lower production volume, which resulted in higher overhead allocation rates, as well as the recognition of forward losses on a limited number of vessel construction projects. These factors were partially offset by generally improved execution across the broader vessel construction portfolio. Repair and conversion gross profit increased \$308,000, or 33.3%, for the first quarter of 2026 compared to the first quarter of 2025. The increase in gross profit in the repair and conversions segment was primarily a result of higher margin projects.

Vessel construction gross profit margins were 8.0% for the first quarter of 2026, compared to 8.3% for the same period of the prior year. The modest decrease in margins reflected the same factors impacting year-over-year vessel construction gross profit discussed above.

Repair and conversion gross profit margins were 18.4% for the first quarter of 2026 compared to 13.0% for the same period of 2025.

Selling, general and administrative expenses were \$2.4 million for the first quarter of 2026, compared to \$2.2 million for the same period in 2025. The increase was primarily due to increased advertising, professional fees, and employee bonuses.

Interest expense decreased to \$11,000 for the first quarter of 2026, compared to \$44,000 for the same period of 2025. The decrease is due to a non-recurring insurance premium finance agreement and reduction in the term loan balance. See Note 7 for additional information.

We had other income of \$471,000 in the first quarter of 2026 compared to \$350,000 in the first quarter of 2025, which primarily related to interest income and vendor discounts.

We had an income tax provision of \$1.1 million for the first quarter of 2026 compared to an income tax provision of \$1.3 million for the same period in 2025. The change in income tax expense is primarily attributable to the decrease in net income in the first quarter of 2026.

Liquidity and Capital Resources

Net cash provided by operating activities was \$3.8 million for the first quarter of 2026 compared to net cash provided by operating activities of \$13.6 million for the same period in 2025. The decrease in cash flow for the first quarter of 2026 is primarily due to an increase in contracts receivable. Our working capital position was \$63.7 million at March 31, 2026 compared to \$60.5 million at December 31, 2025. Cash and cash equivalents at March 31, 2026 and December 31, 2025 were \$29.9 million and \$27.5 million, respectively. Management continues to engage in a detailed business planning process assessing the Company's cash position and potential resources in light of the challenging operating environment, new types of projects being pursued and the Company's capital expenditure program.

Our net cash used in investing activities of \$1.0 million for the first quarter of 2026 reflected increased capital expenditures for facility improvements and machinery purchases. During the first quarter of 2026, the Company incurred \$0.6 million of the \$1.0 million in expenditures associated with the MARAD grant described in Note 14, of which approximately \$0.3 million is expected to be reimbursed through the Small Shipyard Grant Program. Other significant approved capital expenditures include improvements to increase capacity and operational efficiencies. Our net cash used in investing activities of \$453,000 in the first quarter of 2025 included capital expenditures for facility improvements and machinery purchases.

Net cash used in financing activities for the first quarters of 2026 and 2025 was \$375,000 and \$375,000, respectively, for the payments on our term loan. The Board did not declare dividends during the first quarters of 2026 or 2025. Any declaration of dividends is at the discretion of the Board and will depend upon the Company's financial performance, cash requirements, outlook and other factors deemed relevant by the Board. For additional information on our common stock dividends, see pages 17 and 20 of our 2025 Annual Report.

For 2026, the Board has approved an \$11.0 million capital expenditures program, some of which may be partially or fully funded by government grants; however, we will monitor our capital expenditures closely.

To fill in gaps in our construction schedules, we construct stock vessels from time to time. We have also constructed stock vessels for strategic business and marketing reasons. Our stock vessel program can have a material impact on our liquidity, capital resources and profits. As of March 31, 2026 and December 31, 2025, we had two stock vessels under construction, both of which subsequently went under contract in March 2026.

The Board has an approved stock repurchase program in place. The program permits purchases of our common stock in the open market or privately negotiated transactions, does not obligate us to acquire any particular amount of our common stock, does not have an expiration date and can be amended or terminated at any time without prior notice. No shares of our common stock have been repurchased under the program since 2017. In May 2025, the Board reauthorized the \$1.0 million remaining available under the program and authorized an additional \$1.0 million for repurchases under the program. As of March 31, 2026 and December 31, 2025, \$2.0 million remained available under the stock repurchase program.

Our long-term debt is described in Note 7 to our financial statements included in this report and in Note 8 to our 2025 Annual Report. Pursuant to an amendment to our loan agreement in February 2025, the maturity of our revolving credit facility has been extended to May 31, 2026. The Company is currently in discussions with its lender to renew its revolving credit facility for a 24 month maturity beyond the May 31, 2026 expiration of the existing credit facility.

In the normal course of our business, we may be required to provide letters of credit to secure the payment of workers' compensation obligations. Additionally, under certain contracts we may be required to provide letters of credit and bonds to secure our performance and payment obligations. At March 31, 2026 and December 31, 2025, bonds and letters of credit amounted to \$172.5 million. In the past, we have experienced challenges in obtaining sufficient

bonding capacity for larger projects on terms that we desired. Our improved financial performance during 2024 and 2025 has improved our bonding capacity. However, there can be no assurance we will continue to be successful in obtaining bonds or letters of credit in the amounts, at terms and at times we desire. In addition, the cost of obtaining such bonds, letters of credit and similar obligations has increased and may continue to increase.

We believe that our existing working capital and projected cash flow from operations will enable us to meet our cash obligations for at least the next 12 months. Our cash forecasts are subject to change depending on changes in steel, other material and labor costs, the extent to which we experience unanticipated overruns in material costs and labor hours necessary to complete fixed-priced projects, our ability to add profitable backlog and repair work, our ability to add and retain skilled labor, evolving implications of geopolitical conflicts, the extent to which we must extend favorable terms to customers in order to obtain contracts, and the impacts of economic conditions, including inflation, interest rates and changing U.S. trade policy and foreign policy, on our customers, employees, subcontractors and suppliers. As noted elsewhere in this report and in our Annual Report, on March 12, 2025, the United States imposed 25% tariffs on most imported steel products. Steel tariffs tend to increase the prices that we pay to purchase steel and to increase the cost of vessels for our customers, which negatively impacts demand for our products. Continued and any potential future additional tariffs or trade restrictions, including related to steel and geopolitical tensions, could disrupt our supply chain, increase our costs, and reduce our sales. The current U.S. presidential administration has shifted its position on tariffs and trade restrictions a number of times and the U.S. is currently engaged in certain geopolitical conflicts. Accordingly, we can provide no assurance that the results projected in our cash forecasts will be achieved. For a discussion of material risks that may impact our business, please refer to “*Risk Factors*” in our 2025 Annual Report.

Disclosure Statement Pursuant to the OTCID Disclosure Guidelines

Conrad Industries, Inc.

A Delaware Corporation

1100 Brashear Ave., Suite 200, Morgan City, LA 70380

(985) 702-0195

<http://www.conradindustries.com>

investors@conradindustries.com

Quarterly Report

For the period ending March 31, 2026 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

5,017,935 as of March 31, 2026 (Current Reporting Period Date or More Recent Date)

5,017,935 as of December 31, 2025 (Most Recent Completed Fiscal Year End)

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Change in Control

Indicate by check mark whether a Change in Control⁵ of the company has occurred during this reporting period:

Yes: No:

⁵ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

Conrad Industries, Inc.

Current State and Date of Incorporation or Registration: A Delaware corporation since March 1998
Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:
None

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

List any company name change, stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None in the last 12 months. The Company considers strategic transactions and will disclose such considerations or transactions when appropriate.

Address of the issuer's principal executive office:

1100 Brashear Ave., Suite 200, Morgan City, LA 70380

Address of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes: If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Equiniti Trust Company, LLC
Phone: (800) 937-5449
Email: HelpAST@equiniti.com
Address: 6201 15th Avenue, Brooklyn, NY 11219

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	<u>CNRD</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>208305102</u>	
Par or stated value:	<u>\$0.01</u>	
Total shares authorized:	<u>20,000,000</u>	as of date: <u>March 31, 2026</u>
Total shares outstanding:	<u>5,017,935</u>	as of date: <u>March 31, 2026</u>
Total number of shareholders of record:	<u>99</u>	as of date: <u>December 31, 2025</u>

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

N/A

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	<u>Preferred Stock</u>	
Par or stated value:	<u>\$0.01</u>	
Total shares authorized:	<u>5,000,000</u>	as of date: <u>March 31, 2026</u>
Total shares outstanding:	<u>None</u>	as of date: <u>March 31, 2026</u>
Total number of shareholders of record:	<u>None</u>	as of date: <u>December 31, 2025</u>

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

N/A

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

The description of the Company's securities herein is qualified by reference to the terms of the Company's certificate of incorporation, bylaws, and stockholders' rights plan, copies of which are available to investors upon request to the Company, and to the provisions of the Delaware General Corporation Law.

1. For common equity, describe any dividend, voting and preemption rights.

Dividends

The holders of Common Stock are entitled to receive dividends if, as and when such dividends are declared by the Board of Directors out of assets legally available therefore, after payment of dividends required to be paid on shares of Preferred stock, if any. Upon liquidation or dissolution, holders of Common Stock are entitled to share ratably in all net assets available for distribution to stockholders, after payment of any liquidation preferences to holders of Preferred Stock, if any.

Voting Rights and Preemptive Rights

Each share of Common Stock entitles the holder to one vote in all elections of directors and on all other matters duly submitted to shareholders for their vote or consent. The shares of Common Stock do not have cumulative voting rights. The holders of Common Stock do not have preemptive rights.

Stockholders' Rights Plan

During May 2002, we adopted a rights plan, which was amended in May 2012 and May 2022. The rights plan is intended to protect stockholder interests in the event we become the subject of a takeover initiative that our board of directors believes could deny our stockholders the full value of their investment. The adoption of the rights plan was intended as a means to guard against abusive takeover tactics and was not in response to any particular proposal. The plan does not prohibit the board from considering any offer that it considers advantageous to stockholders. Under the plan, we declared and paid a dividend on June 18, 2002 of one right for each share of common stock held by stockholders of record on June 11, 2002. As amended, each right initially entitles our stockholders to purchase one one-thousandth of a share of our preferred stock for \$70 per one one-thousandth, subject to adjustment. However, if a person acquires, or commences a tender offer that would result in ownership of, 15 percent or more of our outstanding common stock while the plan remains in place, then, unless we redeem the rights for \$0.001 per right, the rights will become exercisable by all rights holders, except the acquiring person or group, for shares of common stock having a market value of twice the purchase price of the rights.

As amended, the rights will expire on May 23, 2032, unless redeemed or exchanged at an earlier date. The rights trade with shares of our common stock and have no impact on the way in which our shares are traded. There are currently no separate certificates evidencing the rights, and there is no market for the rights.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

Preferred Stock may be issued from time to time in one or more series and in such amounts as may be determined by the Board of Directors. The voting powers, designations, preferences and relative, participating, optional or other special rights, including dividend, redemption and conversion rights, and liquidation preference, if any, and the qualifications, limitations or restrictions thereof, if any, of the Preferred Stock of each series will be fixed by the Board of Directors at the time of issuance.

3. Describe any other material rights of common or preferred stockholders.

The description of the Company's securities herein is qualified by reference to the terms of the Company's certificate of incorporation, bylaws, and stockholders' rights plan, copies of which are available to investors upon request to the Company, and to the provisions of the Delaware General Corporation Law.

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

None.

3) Issuance History

*The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.***

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: (If yes, you must complete the table below)

Shares Outstanding <u>Opening Balance</u> : Date <u>January 1, 2024</u> Common: <u>5,017,935</u> Preferred: <u>0</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shares Outstanding on Date of This Report: <u>Ending Balance</u> : Date <u>March 31, 2026</u> Common: <u>5,017,935</u> Preferred: <u>0</u>									

Example: A company with a fiscal year end of December 31st 2024, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2023 through December 31, 2024 pursuant to the tabular format above.

Any additional material details, including footnotes to the table are below:

B. Convertible Debt

The following is a complete list of the Company’s Convertible Debt which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer’s equity securities. The table includes all issued or outstanding convertible debt at any time during the last complete fiscal year and any interim period between the last fiscal year end and the date of this Certification.

Check this box to confirm the Company had no Convertible Debt issued or outstanding at any point during this period.

Date of Note Issuance	Principal Amount at Issuance (\$)	Outstanding Balance (\$) (include accrued interest)	Maturity Date	Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares)	# Shares Converted to Date	# of Potential Shares to be Issued Upon Conversion ⁶	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g., Loan, Services, etc.)
Total Outstanding Balance:				Total Shares:				

Any additional material details, including footnotes to the table are below:

4) Issuer’s Business, Products and Services

The purpose of this section is to provide a clear description of the issuer’s current operations. Ensure that these descriptions are updated on the Company’s Profile on www.OTCMarkets.com.

A. Summarize the issuer’s business operations (If the issuer does not have current operations, state “no operations”)

Conrad Industries specializes in the construction, conversion and repair of a wide variety of steel marine vessels for commercial and government customers. These vessels include large and small deck barges, crane barges, spud barges, docking barges, tank barges, berthing barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG barges, LNG bunker vessels, lift boats, ferries, anchor barges, other offshore support vessels, and structural building foundations. Through our subsidiaries, we operate five shipyards in Louisiana and Texas. For the quarter ended March 31, 2026, 50.6 percent of our revenue was related to commercial markets, 39.3 percent was government related, and 10.1 percent was related to the Gulf of America oil and gas industry. For additional information regarding our business operations, please see Section I of our 2025 Annual Report – “Business Overview,” beginning on page 6.

⁶ The total number of shares that can be issued upon full conversion of the Outstanding Balance. The number should not factor any “blockers” or limitations on the percentage of outstanding shares that can be owned by the Noteholder at a particular time. For purposes of this calculation, please use the current market pricing (e.g. most recent closing price, bid, etc.) of the security if conversion is based on a variable market rate.

B. List any subsidiaries, parent company, or affiliated companies.

Conrad Industries, Inc. is the parent company of its wholly-owned subsidiaries, Conrad Shipyard, L.L.C., Conrad Orange Shipyard, Inc., Conrad Shipyard Amelia, L.L.C. and Conrad LNG, L.L.C. For additional information regarding our subsidiaries, please see Section I of our 2025 Annual Report – “Business Overview,” beginning on page 6.

C. Describe the issuers’ principal products or services.

Conrad Industries specializes in the construction, repair and conversion of steel marine vessels for commercial and government customers at its shipyards in Louisiana and Texas. For additional information regarding our products and principal markets, please see Section I of our 2025 Annual Report – “Business Overview,” beginning on page 6.

5) Issuer’s Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

Through our subsidiaries, we own and operate five shipyards: one in Morgan City, Louisiana, three in Amelia, Louisiana, and one in Orange, Texas. For a detailed description of our facilities, please see Section I of our 2025 Annual Report – “Properties,” beginning on page 21. Our term loan and revolving credit facility are secured by accounts receivable, deposit accounts and chattel paper, and by two dry-docks.

6) All Officers, Directors, and 5% Beneficial Owners of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer’s securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Individual Name (First, Last) or Entity Name (Include names of control person(s) if a corporate entity)	Position/Company Affiliation (ex: CEO, ≥ 5% beneficial owner)	City and State (Include Country if outside U.S.)	Number of Shares Owned (List common, preferred, warrants and options separately)	Class of Shares Owned	Percentage of Class of Shares Owned (undiluted)
<u>John P. Conrad, Jr.</u>	<u>Executive Chairman of the Board/Owner of 5% or more</u>	<u>Berwick, Louisiana</u>	<u>991,375</u>	<u>Common</u>	<u>19.8%</u>
<u>Minerva Group LP</u>	<u>Owner of 5% or more</u>	<u>Bala Cynwyd, Pennsylvania</u>	<u>527,213</u>	<u>Common</u>	<u>10.5%</u>
<u>SFH InvestCo LLC</u> <u>Katherine C. Court as co- manager; James K. Court as co-manager and sole member</u>	<u>Owner of 5% or more</u>	<u>Round Mountain, Texas</u>	<u>521,634</u>	<u>Common</u>	<u>10.4%</u>
<u>Johnny & Mary Lou Conrad Family, LLC</u> <u>Edward Leonard & John P. Armato, as Co-Trustees of the Johnny & Mary Lou Conrad 2009 Trust</u>	<u>Owner of 5% or more</u>	<u>Morgan City, Louisiana</u>	<u>260,816</u>	<u>Common</u>	<u>5.2%</u>
<u>Johnny & Mary Lou Conrad 2009 Trust</u> <u>Edward Leonard & John P. Armato, as Co-Trustees</u>	<u>Owner of 5% or more</u>	<u>Morgan City, Louisiana</u>	<u>255,600</u>	<u>Common</u>	<u>5.1%</u>
<u>Cecil A. Hernandez</u>	<u>President, Chief Executive Officer and Director</u>	<u>Berwick, Louisiana</u>	<u>50,968</u>	<u>Common</u>	<u>1.0%</u>
<u>Daniel T. Conrad (10,254 shares as Trustee of Shares A B & C of Parker & Shirley Conrad 2001 Great Grandchildren's Trust)</u>	<u>Senior Vice President, Director and Assistant Secretary</u>	<u>Morgan City, Louisiana</u>	<u>11,454</u>	<u>Common</u>	<u>0.2%</u>
<u>Scott A. Thomas (Linda M. Thomas Usufruct; Scott A. Thomas and Michele T. Boustany Naked Owners)</u>	<u>Senior Vice President, Chief Financial Officer, Treasurer and Secretary</u>	<u>Patterson, Louisiana</u>	<u>1,000</u>	<u>Common</u>	<u>0.0%</u>
<u>Larry J. Callais</u>	<u>Director</u>	<u>Lenoir City, Tennessee</u>	<u>None</u>		
<u>John R. Waldo</u>	<u>Director</u>	<u>Oklahoma City, Oklahoma</u>	<u>None</u>		

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

No

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

No

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

No

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

No

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

No

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

For information regarding legal proceedings, please see Notes 2 and 15 to our audited financial statements for the year ended December 31, 2025 and to our unaudited interim financial statements for the quarter ended March 31, 2026.

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel

Name: Jones Walker, LLP
Address 1: 445 North Boulevard, Suite 800
Address 2: Baton Rouge, Louisiana 70802
Phone: (225) 248-2000
Email: alayfield@joneswalker.com

Accountant or Auditor

Name: Jeremy C. Meaux, CPA
Firm: Darnall, Sikes & Frederick
Address 1: 2000 Kaliste Saloom Road
Address 2: Lafayette, Louisiana 70508
Phone: (337) 232-3312
Email: jeremym@dsfcpas.com

Investor Relations

Name: None
Firm:
Address 1:
Address 2:
Phone:
Email:

All other means of Investor Communication:

X (Twitter): N/A
Discord: N/A
LinkedIn N/A
Facebook: N/A
[Other] N/A

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: None
Firm:
Nature of Services:
Address 1:
Address 2:
Phone:
Email:

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Scott A. Thomas
Title: Senior Vice President, Chief Financial Officer, Treasurer and Secretary
Relationship to Issuer: Employee

B. The following financial statements were prepared in accordance with:

- IFRS
 U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Scott A. Thomas
Title: Senior Vice President, Chief Financial Officer, Treasurer and Secretary
Relationship to Issuer: Employee

Describe the qualifications of the person or persons who prepared the financial statements:⁷

Scott A. Thomas became Vice President, Chief Financial Officer, Treasurer and Assistant Secretary of the Company in July 2022. Mr. Thomas was appointed Secretary in March 2025. In March 2026, he became Senior Vice President. Prior to joining the Company, Mr. Thomas served as Vice President of Finance at Twin Brothers Marine since June 2020 and as Chief Financial Officer/Vice President of Finance and Administration at InterMoor Inc., from October 2004 until April 2020. In his early career, Mr. Thomas worked as an Accounting Manager for Technip Offshore, the previous owner of InterMoor Inc. Prior to Technip, Mr. Thomas was a Business Analyst for Houma-based Cross Group and a Marine Logistics Coordinator for Leevac Marine/Hornbeck Offshore. Mr. Thomas is a graduate of University of Louisiana at Lafayette with a Bachelor of Science degree in Accounting and a Master of Business Administration degree.

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity);
- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable." Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

⁷ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

I, Cecil A. Hernandez certify that:

1. I have reviewed this Disclosure Statement for Conrad Industries, Inc.;
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.

May 15, 2026

/s/ Cecil A. Hernandez
President and Chief Executive Officer
and member of the Board

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, Scott A. Thomas certify that:

1. I have reviewed this Disclosure Statement for Conrad Industries, Inc.;
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.

May 15, 2026

/s/ Scott A. Thomas
Senior Vice President, Chief Financial Officer,
Treasurer and Secretary

(Digital Signatures should appear as "/s/ [OFFICER NAME]")