UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2026

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 001-08443

TELOS CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**52-0880974**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
19886 Ashburn Road, Ashburn, Virginia	**20147-2358**
(Address of principal executive offices)	(Zip Code)

(703) 724-3800
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, $0.001 par value per share	**TLS**	**The Nasdaq Stock Market LLC**

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

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

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

As of August 3, 2026, the registrant had outstanding 74,736,789 shares of common stock.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

TELOS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	(in thousands, except per share amounts)			
Revenue – services	$ 40,594	$ 29,301	$ 82,655	$ 58,146
Revenue – products	7,151	6,667	12,832	8,438
Total revenue	47,745	35,968	95,487	66,584
Cost of sales – services (excluding depreciation and amortization)	22,537	16,605	45,776	32,096
Cost of sales – products (excluding depreciation and amortization)	6,002	5,716	10,534	7,156
Depreciation and amortization	2,514	1,715	5,110	3,218
Total cost of sales	31,053	24,036	61,420	42,470
Gross profit	16,692	11,932	34,067	24,114
Operating expenses:				
Research and development expenses	1,345	1,512	2,702	3,083
Selling, general and administrative expenses	15,037	20,303	29,600	39,936
Total operating expenses	16,382	21,815	32,302	43,019
Operating income (loss)	310	(9,883)	1,765	(18,905)
Other income	501	553	1,198	1,114
Interest expense	(107)	(141)	(218)	(288)
Income (loss) before income taxes	704	(9,471)	2,745	(18,079)
Provision for income taxes	(44)	(46)	(62)	(42)
Net income (loss)	$ 660	$ (9,517)	$ 2,683	$ (18,121)
Net income (loss) per share:				
Basic	$ 0.01	$ (0.13)	$ 0.04	$ (0.25)
Diluted	$ 0.01	$ (0.13)	$ 0.03	$ (0.25)
Weighted-average shares outstanding:				
Basic	74,895	73,163	74,361	72,940
Diluted	77,547	73,163	77,576	72,940

See accompanying notes to the unaudited consolidated financial statements.

TELOS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	(in thousands)			
Net income (loss)	$ 660	$ (9,517)	$ 2,683	$ (18,121)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	3	(5)	(5)	75
Actuarial gain on pension liability adjustment	—	—	—	8
Other comprehensive income (loss)	3	(5)	(5)	83
Comprehensive income (loss)	$ 663	$ (9,522)	$ 2,678	$ (18,038)

See accompanying notes to the unaudited consolidated financial statements.

TELOS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2026	December 31, 2025
	(in thousands, except per share amount and share data)	
Assets:		
Cash and cash equivalents	$ 50,647	$ 53,180
Accounts receivable, net	18,000	17,000
Inventories, net	4,917	996
Prepaid expenses	7,562	10,565
Deferred program expenses	13,920	10,006
Other current assets	1,779	2,666
Total current assets	96,825	94,413
Property and equipment, net	2,490	3,071
Finance lease right-of-use assets, net	3,560	4,170
Operating lease right-of-use assets, net	298	410
Goodwill	3,006	3,006
Intangible assets, net	29,213	30,281
Other assets	4,357	4,513
Total assets	$ 139,749	$ 139,864
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	$ 6,390	$ 4,087
Accrued liabilities	5,673	6,900
Accrued compensation and benefits	8,985	12,309
Contract liabilities – current portion	17,220	11,223
Finance lease obligations – current portion	2,113	2,033
Operating lease obligations – current portion	255	232
Total current liabilities	40,636	36,784
Contract liabilities – non-current portion	874	1,124
Finance lease obligations – non-current portion	4,536	5,608
Operating lease obligations – non-current portion	62	186
Deferred income taxes	57	53
Other liabilities	171	159
Total liabilities	46,336	43,914
Commitments and contingencies		
Stockholders’ equity:		
Common stock, $0.001 par value, 250,000,000 shares authorized, 74,736,789 shares and 72,773,272 shares issued and outstanding as of June 30, 2026, and December 31, 2025, respectively	113	111
Additional paid-in capital	454,611	459,828
Accumulated other comprehensive loss	(101)	(96)
Accumulated deficit	(361,210)	(363,893)
Total stockholders’ equity	93,413	95,950
Total liabilities and stockholders’ equity	$ 139,749	$ 139,864

See accompanying notes to the unaudited consolidated financial statements.

TELOS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended	
	June 30, 2026	June 30, 2025
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 2,683	$ (18,121)
Adjustments to reconcile net income (loss) to cash flows from operations:		
Stock-based compensation	6,184	14,805
Depreciation and amortization	6,776	4,845
Loss on disposal of fixed assets	52	—
Provision for inventory obsolescence	42	—
Amortization of debt issuance costs	17	35
Deferred income taxes	4	27
Provision for (recovery from) doubtful accounts	1	(20)
Changes in operating assets and liabilities:		
Accounts receivable	(1,001)	86
Inventories	(1,942)	(1,079)
Prepaid expenses, deferred program expenses, other current assets and other assets	4,445	(1,933)
Accounts payable	(2,158)	9,540
Accrued compensation and benefits	(208)	601
Contract liabilities	5,746	6,114
Accrued liabilities and other liabilities	(3,152)	(1,844)
Net cash provided by operating activities	17,489	13,056
Cash flows from investing activities:		
Capitalized software development costs	(4,102)	(4,401)
Purchases of property and equipment	(391)	(257)
Net cash used in investing activities	(4,493)	(4,658)
Cash flows from financing activities:		
Payment of tax withholding related to net share settlement of equity awards	(7,626)	(1,062)
Repurchases of common stock	(6,889)	(4,002)
Payments under finance lease obligations	(992)	(914)
Payments for debt issuance costs	(21)	—
Net cash used in financing activities	(15,528)	(5,978)
Net change in cash, cash equivalents, and restricted cash	(2,532)	2,420
Cash, cash equivalents, and restricted cash, beginning of period	53,320	54,717
Cash, cash equivalents, and restricted cash, end of period	$ 50,788	$ 57,137

See accompanying notes to the unaudited consolidated financial statements.

TELOS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
			(in thousands)			
Balance at March 31, 2026	74,819	$ 113	$ 458,392	$ (104)	$ (361,870)	$ 96,531
Net income	—	—	—	—	660	660
Foreign currency translation gain	—	—	—	3	—	3
Restricted stock unit awards vested, net of shares withheld to cover tax withholding	960	1	(1,007)	—	—	(1,006)
Stock-based compensation	—	—	1,916	—	—	1,916
Repurchases of common stock	(1,042)	(1)	(4,690)	—	—	(4,691)
Balance at June 30, 2026	74,737	$ 113	$ 454,611	$ (101)	$ (361,210)	$ 93,413
Balance at March 31, 2025	73,319	$ 112	$ 461,994	$ (41)	$ (335,951)	$ 126,114
Net loss	—	—	—	—	(9,517)	(9,517)
Foreign currency translation loss	—	—	—	(5)	—	(5)
Restricted stock unit awards vested, net of shares withheld to cover tax withholding	611	—	(958)	—	—	(958)
Stock-based compensation	—	—	6,781	—	—	6,781
Repurchases of common stock	(1,488)	(1)	(4,001)	—	—	(4,002)
Balance at June 30, 2025	72,442	$ 111	$ 463,816	$ (46)	$ (345,468)	$ 118,413

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
			(in thousands)			
Balance at December 31, 2025	72,773	$ 111	$ 459,828	$ (96)	$ (363,893)	$ 95,950
Net income	—	—	—	—	2,683	2,683
Foreign currency translation loss	—	—	—	(5)	—	(5)
Restricted stock unit awards vested, net of shares withheld to cover tax withholding	2,404	2	(6,408)	—	—	(6,406)
Stock-based compensation	—	—	3,654	—	—	3,654
Repurchases of common stock	(1,559)	(1)	(6,888)	—	—	(6,889)
Issuance of common stock for annual incentive plan ("AIP") payment, net of shares withheld to cover tax withholding	706	1	2,766	—	—	2,767
Issuance of common stock for 401(k) match	413	—	1,659	—	—	1,659
Balance at June 30, 2026	74,737	$ 113	$ 454,611	$ (101)	$ (361,210)	$ 93,413
Balance at December 31, 2024	72,515	$ 111	$ 454,502	$ (129)	$ (327,347)	$ 127,137
Net loss	—	—	—	—	(18,121)	(18,121)
Foreign currency translation gain	—	—	—	75	—	75
Actuarial gain on pension liability adjustment	—	—	—	8	—	8
Restricted stock unit awards vested, net of shares withheld to cover tax withholding	687	—	(1,062)	—	—	(1,062)
Stock-based compensation	—	—	12,315	—	—	12,315
Repurchases of common stock	(1,488)	(1)	(4,001)	—	—	(4,002)
Issuance of common stock for 401(k) match	728	1	2,062	—	—	2,063
Balance at June 30, 2025	72,442	$ 111	$ 463,816	$ (46)	$ (345,468)	$ 118,413

See accompanying notes to the unaudited consolidated financial statements.

TELOS CORPORATION
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Telos Corporation, together with its subsidiaries (collectively, the "Company," "we," "our" or "Telos"), a Maryland corporation, is a leading provider of cyber, cloud and enterprise security solutions for the world's most security-conscious organizations. We own all of the issued and outstanding shares of Xacta Corporation and ubIQuity.com, inc. (a holding company for Xacta Corporation), and Teloworks, Inc. ("Teloworks"), and 100% ownership interest in Telos Identity Management Solutions, LLC ("Telos ID").

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principle of Consolidation

The accompanying unaudited consolidated financial statements include the accounts of Telos and its subsidiaries (see Note 1 – Organization), all of whose issued and outstanding share capital is wholly owned directly and indirectly by Telos Corporation. All intercompany transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

Basis of Presentation for Interim Periods

Certain information and footnote disclosures normally included for the annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted for the interim periods presented. We believe that the unaudited interim financial statements include all adjustments (which are normal and recurring) necessary to state fairly our financial position and the results of operations and cash flows for the periods presented.

The results of operations for the interim periods presented are not necessarily indicative of results that may be expected for the full year or future periods. The financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the year ended December 31, 2025, included in our Annual Report on Form 10-K for the fiscal year then ended. We have continued to follow the accounting policies set forth in those financial statements.

Reclassification

Certain prior-period amounts have been reclassified to conform to the current period presentation. This reclassification relates to presenting "Inventories, net" as a separate line item on the unaudited consolidated balance sheets from "Other current assets."

Use of Estimates

The preparation of these unaudited consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and disclosure of contingent assets and liabilities. The Company regularly assesses these estimates; however, actual results could differ from those estimates. We base our estimates on historical experience, currently available information, and various other assumptions that we believe are reasonable under the circumstances.

Management evaluates these estimates and assumptions on an ongoing basis, including those relating to revenue recognition and cost estimation on certain contracts, allowance for credit losses, inventory obsolescence, valuation allowance for deferred tax assets, income taxes, certain assumptions related to stock-based compensation, valuation of intangible assets and goodwill, restructuring expenses accruals, and contingencies. Actual results could differ from these estimates. The impact of changes in estimates is recorded in the period in which they become known.

Restructuring Expenses

As disclosed in the Company's recent Annual Report on Form 10-K for the year ended December 31, 2025, in the fourth quarter of 2025, the Company committed to a restructuring plan as part of its efforts to streamline operations and to align people, roles and projects to our strategic priorities ("2025 restructuring"). The 2025 restructuring plan reduced the Company's workforce, with a portion of the affected employees separating from the business during the current quarter and the remainder expected to separate by the third quarter of 2026. The Company continues to evaluate the 2025 restructuring plan and may incur incremental restructuring charges through the remainder of 2026 to the extent such charges are determined to be probable and estimable. The Company incurred $1.5 million in cumulative restructuring expenses related to the 2025 restructuring plan.

At each reporting date, the Company evaluates its restructuring expense accrual to determine if the liabilities reported are still appropriate. Any changes in the estimated costs of executing the approved restructuring plan are reflected in the Company's unaudited consolidated statement of operations.

Table 2: Summary of Changes in Restructuring Expenses Accrual

	Severance and related benefit costs[1]
	(in thousands)
Balance at December 31, 2025	$ 1,451
Cash payments	(751)
Balance at June 30, 2026	$ 700

[1] Restructuring-related liabilities are reported as part of "Accrued liabilities" in the Company's unaudited consolidated balance sheets; see Note 9 - Other Balance Sheet Components for further details.

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Topic 220): Disaggregation of Income Statement Expenses." This standard requires additional disclosure of certain amounts included in the expense captions presented on the statement of operations, as well as disclosures about selling expenses. The ASU is effective on a prospective basis, with the option for retrospective application. All public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. We are in the process of assessing the impact of the adoption of this ASU on our unaudited consolidated financial statements.

In July 2025, the FASB issued ASU 2025-05, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets.” This standard provides simplified guidance on measuring credit losses for accounts receivable and contract assets. The update introduces a practical expedient and an accounting policy election to ease the process. All entities can elect the practical expedient to assume that the current economic conditions at the balance sheet date will remain constant through the life of the current receivables and contract assets. Entities that elect the practical expedient and the accounting policy election should apply the amendments in this ASU prospectively. The ASU was effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, with early adoption permitted. We adopted the standard in the first quarter of 2026 and the adoption did not have a material impact on our unaudited consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting of Internal-Use Software." This standard provides a simplified, consistent way to track expenses related to software developed for internal use. The amendments in this standard removed all references to project stages; instead, a company can capitalize software costs once both conditions are met: the entity's management has authorized and committed to funding the project, and it is probable that the project will be completed and the software will be used as intended. The amendments will be effective for annual reporting periods, including interim periods within those years, beginning after December 15, 2027, with early adoption permitted. We are currently assessing the impact of adopting this ASU on our unaudited consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, "Interim Reporting (Topic 270): Narrow-Scope Improvements," which was intended to improve the navigability of the guidance in ASC 270 and clarify when it applies. Public entities are required to adopt the guidance for interim reporting periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. We are currently assessing the impact of adopting this ASU on our unaudited consolidated financial statements.

In December 2025, the FASB issued ASU 2025-12, "Codification Improvement." This ASU includes a number of improvements that span a wide range of topics, which includes amendments on the following provisions, among other things, (1) clarify diluted earnings per share ("EPS") calculation when a loss from continuing operation exists; (2) revising the calculation of the reference amount for beneficial interests to prevent double counting credit losses; (3) clarify the permissible methods to account for treasury stock retirements; and (4) clarify the guidance for transfers of receivables from contracts with customers. The standard will be effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods, with early adoption permitted. We are currently assessing the impact of adopting this ASU on our unaudited consolidated financial statements.

In addition, from time to time, new accounting standards are issued by the Financial Accounting Standards Board or other standard-setting bodies and are adopted by the Company as of the specified accounting date. Unless otherwise discussed, the Company believes that issued standards not yet effective will not have a material effect on its financial statements.

3. REVENUE RECOGNITION

The majority of our revenue is recognized over time, as control is transferred continuously to our customers, who receive and consume benefits as we perform. Revenue transferred to customers over time accounted for 69% and 70% of our revenue for the three and six months ended June 30, 2026, respectively, and 68% and 73% of our revenue for the three and six months ended June 30, 2025, respectively. For performance obligations in which control does not continuously transfer to the customer, we recognize revenue at the point in time when each performance obligation is fully satisfied. This coincides with the point in time the customer obtains control of the product or service, which typically occurs upon customer acceptance or receipt of the product or service, given that we maintain control of the product or service until that point. Revenue transferred to customers at a point in time accounted for 31% and 30% of our revenue for the three and six months ended June 30, 2026, respectively, and 32% and 27% of our revenue for the three and six months ended June 30, 2025, respectively. The change in revenue mix for the three and six months ended June 30, 2026, as compared to the prior period, was primarily driven by an increase in product sales volume from a successful ramp-up of a significant program.

Our contracts may include various types of variable considerations and may include estimated amounts in the transaction price, based on all of the information available to us, and to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when any uncertainty associated with the variable consideration is resolved. We evaluate and include these estimated amounts of variable consideration in the transaction price and as performance on these contracts is complete, we adjust our revenue, when deemed necessary. No revenue adjustments were recorded during the three and six months ended June 30, 2026, and 2025.

We provide for anticipated losses on contracts during the period when the loss is determined by recording an expense for the total expected costs that exceeds the total estimated revenue for a performance obligation. No contract loss was recorded during the three and six months ended June 30, 2026. No contract loss was recorded during the three months ended June 30, 2025, while we recorded an immaterial contract loss during the six months ended June 30, 2025.

Disaggregated Revenues

In addition to our segment reporting, as further discussed in Note 15 – Segment Information, we disaggregate our revenues by customer and contract types. We treat sales to U.S. customers as sales within the United States, regardless of where the services are performed. Substantially most of our revenues are generated from U.S. customers, while international customers are de minimis; as such, the financial information by geographic location is not presented.

Table 3.1: Revenue by Customer Type

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2026		June 30, 2025		June 30, 2026		June 30, 2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(dollars in thousands)							
Federal	$ 43,937	92 %	$ 32,672	91 %	$ 88,141	92%	$ 59,972	90%
State & local, and commercial	3,808	8 %	3,296	9 %	7,346	8%	6,612	10%
Total revenue	$ 47,745	100 %	$ 35,968	100 %	$ 95,487	100 %	$ 66,584	100 %

Table 3.2: Revenue by Contract Type

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2026		June 30, 2025		June 30, 2026		June 30, 2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(dollars in thousands)							
Firm fixed-price	$ 37,444	78 %	$ 25,153	70 %	$ 74,904	78%	$ 45,151	68%
Time-and-materials	8,679	18 %	8,913	25 %	17,342	18%	17,290	26%
Cost plus fixed fee	1,622	4 %	1,902	5 %	3,241	4%	4,143	6%
Total revenue	$ 47,745	100 %	$ 35,968	100 %	$ 95,487	100 %	$ 66,584	100 %

A majority of the Company's revenue was derived under prime contracts and subcontracts with agencies and departments of the federal government. No other customer accounted for 10% or more of the Company's revenue during the three and six months ended June 30, 2026, and 2025.

Table 3.3: Revenue Concentration Greater than 10% of Total Revenue

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	(in thousands)			
Federal government:				
Security Solutions	$ 42,854	$ 29,032	$ 85,286	$ 51,684
Secure Networks	1,083	3,640	2,855	8,288
Total	$ 43,937	$ 32,672	$ 88,141	$ 59,972

Table 3.4: Contract Balances

	Balance Sheet Presentation	June 30, 2026	December 31, 2025
		(in thousands)	
Billed accounts receivable [1]	Accounts receivable, net	$ 11,315	$ 9,375
Unbilled accounts receivable	Accounts receivable, net	5,253	6,962
Contract assets	Accounts receivable, net	1,432	663
Contract liabilities – current	Contract liabilities – current portion	17,220	11,223
Contract liabilities – non-current	Contract liabilities – non-current portion	874	1,124

[1] Net of allowance for credit losses.

The changes in the Company's contract assets and contract liabilities during the current period were primarily the result of the timing differences between the Company's performance, invoicing and customer payments. Revenue recognized for the three and six months ended June 30, 2026, which was included in the contract liabilities balance at December 31, 2025, was $3.3 million and $8.1 million, respectively. Revenue recognized for the three and six months ended June 30, 2025, which was included in the contract liabilities balance at December 31, 2024, was $1.7 million and $4.1 million, respectively.

As of June 30, 2026, we had approximately $56.5 million of remaining performance obligations, which we also refer to as funded backlog. We expect to recognize approximately 98% of our remaining performance obligations over the next 12 months, and the balance thereafter.

4. ACCOUNTS RECEIVABLE, NET

Table 4: Details of Accounts Receivable, Net

	June 30, 2026	December 31, 2025
	(in thousands)	
Billed accounts receivable	$ 11,355	$ 9,416
Unbilled accounts receivable	5,253	6,962
Contract assets	1,432	663
Allowance for credit losses [1]	(40)	(41)
Accounts receivable, net	$ 18,000	$ 17,000

[1] Includes provision for credit losses, net of recoveries.

As our primary customer base includes agencies of the U.S. federal government, we have a concentration of credit risk associated with our accounts receivable, as 87% and 85% of our billed and unbilled accounts receivable as of June 30, 2026, and December 31, 2025, respectively, were with U.S. federal government customers. While we acknowledge the potential material and adverse risk of such a significant concentration of credit risk, our past experience collecting substantially all of such receivables provides us with an informed basis that such risk, if any, is manageable. We perform ongoing credit evaluations of all of our customers and generally do not require collateral or other guarantees. We maintain allowances for potential losses, where appropriate.

On March 10, 2026, we entered into a new Factoring Agreement with an unrelated third-party (the "Factor"). Under this Factoring Agreement, we may offer eligible accounts receivable arising from our U.S. government prime contracts or subcontracts for sale (the "Purchased Receivables") to the Factor, and the Factor may purchase such receivables at its sole discretion, on a non-recourse basis. These transactions are accounted for as a "true sale" as we have surrendered control over the receivables, and we are not obligated to repay all or any portion of the advance amount if any portion of the accounts receivable is not paid by the customers due to an inability to pay. The total amount of Purchased Receivables is subject to a maximum limit of $10.0 million of outstanding Purchased Receivables at any given time. The initial term of the Factoring Agreement expires on March 10, 2027, and automatically renews annually thereafter unless terminated in writing by the parties. There were no accounts receivable sold during the six months ended June 30, 2026.

5. INVENTORIES, NET

Table 5: Details of Inventories, Net

	June 30, 2026	December 31, 2025
	(in thousands)	
Gross inventory	$ 5,458	$ 1,495
Allowance for inventory obsolescence	(541)	(499)
Inventories, net	$ 4,917	$ 996

6. PROPERTY AND EQUIPMENT, NET

Table 6.1: Details of Property and Equipment, Net

	June 30, 2026			December 31, 2025		
	Gross Carrying Amount	Accumulated Depreciation and Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Depreciation and Amortization	Net Carrying Value
	(in thousands)					
Furniture and equipment	$ 17,293	$ (15,341)	$ 1,952	$ 17,275	$ (14,727)	$ 2,548
Leasehold improvements	3,515	(2,977)	538	3,419	(2,896)	523
Total	$ 20,808	$ (18,318)	$ 2,490	$ 20,694	$ (17,623)	$ 3,071

Table 6.2: Depreciation and Amortization Expense

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	(in thousands)			
Depreciation and amortization expense	$ 444	$ 422	$ 902	$ 867

7. GOODWILL

The goodwill balance was $3.0 million as of June 30, 2026, and December 31, 2025, allocated to the Security Solutions segment. Goodwill is subject to annual impairment tests and if triggering events are present in the interim before the annual tests, we will assess impairment. No impairment charges were recorded for the three and six months ended June 30, 2026, and 2025.

8. INTANGIBLE ASSETS, NET

Table 8.1: Details of Intangible Assets, Net

		June 30, 2026			December 31, 2025		
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
	(in years)	*(in thousands)*					
Acquired technology	8	$ 3,630	$ (2,231)	$ 1,399	$ 3,630	$ (2,004)	$ 1,626
Customer relationship	3	40	(40)	—	40	(40)	—
Software development costs	2 - 5	44,612	(28,494)	16,118	43,411	(23,576)	19,835
Subtotal		48,282	(30,765)	17,517	47,081	(25,620)	21,461
In-process software development costs [1]		11,696	—	11,696	8,820	—	8,820
Total		$ 59,978	$ (30,765)	$ 29,213	$ 55,901	$ (25,620)	$ 30,281

[1] In-process software development costs are costs for software that is not yet available for its intended use or general release to customers as of the balance sheet date, thus not yet amortized.

Table 8.2: Amortization Expense

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	(in thousands)			
Amortization expense related to:				
Software development costs – cost of sales [1]	$ 2,427	$ 1,623	$ 4,918	$ 3,034
Other intangible assets – general and administrative	113	113	227	227
Total	$ 2,540	$ 1,736	$ 5,145	$ 3,261

[1] Amortization expense for software development costs related to assets to be sold, leased, or otherwise marketed is charged under cost of sales on the unaudited consolidated statements of operations.

9. OTHER BALANCE SHEET COMPONENTS

Table 9.1: Details of Other Assets

	June 30, 2026	December 31, 2025
	(in thousands)	
Investment [1]	$ 3,750	$ 3,750
Prepaid expense and deferred commission – long-term portion	372	537
Restricted cash	141	140
Other	94	86
Other assets	$ 4,357	$ 4,513

[1] In March 2024, we made a $3.0 million investment in a privately-held company via a simple agreement for future equity ("SAFE"). In October 2025, the Company's SAFE investment was settled into 8,964,262 shares of Series A common stock at a settlement price of $0.42 per share, based on the valuation cap in the original agreement, resulting in 3.8% ownership with no significant influence over the privately-held company. Upon settlement of the SAFE, the investment was remeasured to its fair value of $3.8 million. The investment does not have a readily determinable fair value and the Company elected the measurement alternative to value its investment. The fair value of this investment was based on non-marketable observable inputs, which represent Level 3 measurement within the fair value hierarchy. The investment was carried at cost less impairment, if any, and subsequently measured to fair value upon observable price changes in an orderly transaction for the identical or similar investment of the same issuer, with any gains or losses recorded within "other income" on the unaudited consolidated statement of operations. We did not note any changes in the fair value during the three and six months ended June 30, 2026, and 2025.

Table 9.2: Details of Accrued Liabilities

	June 30, 2026	December 31, 2025
	(in thousands)	
Accrued project expenses	$ 4,133	$ 4,289
Restructuring expenses accrual	700	1,451
Other	840	1,160
Accrued liabilities	$ 5,673	$ 6,900

10. REVOLVING CREDIT FACILITY

On December 30, 2022, we entered into a Credit Agreement (the "Credit Agreement"), by and among the Company, as borrower, Xacta Corporation, ubIQuity.com, inc., Teloworks, Inc., and Telos Identity Management Solutions, LLC, as guarantors, the lenders party thereto (the "Lenders"), and JPMorgan Chase Bank N.A. ("JPMorgan Chase"), as administrative agent for the Lenders (in such capacity, the "Agent"). The Credit Agreement provided for a $30.0 million senior secured revolving credit facility, with the option of issuing letters of credit thereunder with a sub-limit of $5.0 million, and with an uncommitted expansion feature of up to $30.0 million of additional revolver capacity (the "Loan"). The Loan is subject to acceleration in the event of customary events of default. The Company has not drawn any amount under the Loan.

Until December 30, 2025, borrowings under the Credit Agreement accrued interest, at our option, at one of three variable rates, plus a specified margin. We can elect to borrow at (i) the Alternative Base Rate, plus 0.9%; (ii) Adjusted Daily Simple Secured Overnight Financing Rate ("SOFR"), plus 1.9%; and (iii) Adjusted Term SOFR, plus 1.9%, as such capitalized terms are defined and calculated in the Credit Agreement. The Company may elect to convert borrowings from one type of borrowing to another type per the terms of the Credit Agreement. After the occurrence and during the continuance of any event of default, the interest rate may increase by an additional 2.0%. We are obligated to pay accrued interest (i) with respect to amounts accruing interest based on the Alternative Base Rate, each calendar quarter and on the maturity date, (ii) with respect to amounts accruing interest based on Adjusted Daily Simple SOFR, on each one-month anniversary of the borrowing and on the maturity date, and (iii) with respect to amounts accruing interest based on Adjusted Term SOFR, at the end of the period specified per the Credit Agreement and on the maturity date. Upon five, three, or one day's prior notice, as applicable, we may prepay any portion or the entire amount of the Loan.

The Loan under the Credit Agreement is collateralized by substantially all of the Company's assets, including the Company's pledge of its domestic and material foreign subsidiary equity interests.

The Loan has various covenants that may, among other things, affect our ability to create, incur, assume or suffer any indebtedness, merge into or consolidate with another entity, acquire entity interests, sell or transfer certain assets, enter into certain arrangements (such as sale and leaseback and swap agreements) or restrictive agreements, pay dividends and make certain restricted payments, and amend material documents related to any subordinated indebtedness and corporate agreements. The Credit Agreement also requires certain financial covenants to maintain a Senior Leverage Ratio on the last day of any fiscal quarter, no greater than 3 to 1. We were in compliance with all covenants as of June 30, 2026.

The occurrence of an event of default under the Credit Agreement could result in the Loan and other obligations becoming immediately due and payable and allow the Lenders to exercise all rights and remedies available to them under the Credit Agreement.

On April 12, 2023, the Credit Agreement was amended to exclude from collateral the (i) amount collectible from a third party related to an Accounts Receivable Purchase Agreement and (ii) receivables generated by the Company from the sale of goods supplied to this third party in an amount not to exceed $25.0 million.

On December 30, 2025, the Company entered into a Second Amendment to Credit Agreement (the "Second Amendment") with JPMorgan Chase. The Second Amendment modified the Credit Agreement to, among other modifications, (a) established the Applicable Rate for borrowings under the revolving credit facility at 1.25% for ABR Loans and 2.25% for Term Benchmark/RFR Loans, with a commitment fee rate of 0.25%, (b) established the Revolving Commitment under the Credit Agreement at $15.0 million with an expansion feature of up to $15.0 million of additional credit capacity, (c) extended the Revolving Credit Maturity Date to December 30, 2026, and (d) required the Company and its subsidiaries to maintain at least $5.0 million of unrestricted cash and Permitted Investments with JPMorgan Chase at all times. Except as modified by the Second Amendment, the terms and conditions of the Credit Agreement remain in full force and effect.

11. STOCK-BASED COMPENSATION

On May 7, 2026, the Company's stockholders approved Amendment No. 2 to the Amended and Restated 2016 Omnibus Long-Term Incentive Plan ("2016 LTIP") that increased the number of shares available for issuance under the 2016 LTIP by an additional 5,380,000 shares.

As of June 30, 2026, approximately 1.8 million shares of our common stock were available for future grants under the 2016 LTIP. There were no income tax benefits recognized on the stock-based compensation expense (as reflected on the table below) for the three and six months ended June 30, 2026, and 2025.

Table 11.1: Details of Stock Compensation Expense by Statements of Operations Line Item

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	(in thousands)			
Cost of sales – services	$ 202	$ 149	$ 418	$ 339
Research and development	232	244	451	284
Selling, general and administrative	2,779	7,364	5,315	14,182
Total	$ 3,213	$ 7,757	$ 6,184	$ 14,805

Restricted Stock

Table 11.2: Restricted Stock Unit Activity

	Service-Based	Performance-Based	Total Shares	Weighted-Average Grant Date Fair Value
Unvested outstanding units as of December 31, 2025	2,182,836	10,861,854	13,044,690	$ 3.49
Granted	2,368,357	1,369,241	3,737,598	5.60
Vested	(2,191,369)	(2,420,691)	(4,612,060)	3.45
Forfeited	(27,255)	—	(27,255)	3.70
Unvested outstanding units as of June 30, 2026	2,332,569	9,810,404	12,142,973	$ 3.90

On May 26, 2026, the Company granted performance-based restricted stock units ("PSUs") with market conditions dependent on total shareholder return ("TSR") to certain executives and senior employees. The vesting criteria for these awards are based on the Company's TSR performance relative to the TSR performance of the Company's current compensation peer group over the three-year performance period, June 1, 2026, through May 31, 2029, and conditioned upon neutral or positive free cash flow (i.e. cash flows from operating activities less capital expenditures) at the end of each fiscal year in the performance period. The final payout of these PSUs will vary between 0% to 200% of the target number of PSUs granted, depending on the TSR performance and meeting the free cash flow requirements.

The grant date fair value per share is estimated at the grant date using a Monte Carlo simulation model. Stock-based compensation expense for PSUs with a TSR market condition is recognized over the service period based on target probability.

Table 11.3: PSUs with a TSR Market Condition Fair Value and Assumptions

Expected Volatility	92.1%
Risk-free rate	4.0%
Service period	3.0 years
Grant date fair value	$7.66

As of June 30, 2026, and 2025, the intrinsic value of the RSUs and PSUs outstanding, exercisable, and vested or expected to vest was $55.9 million and $50.1 million, respectively. There was approximately $21.9 million of total compensation costs related to stock-based awards not yet recognized as of June 30, 2026, which is expected to be recognized on a straight-line basis over a weighted-average remaining vesting period of 0.9 years.

Stock Options

Table 11.4: Stock Option Activity

	Stock Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding option balance as of December 31, 2025	227,000	$ 1.80	7.4	$ 749,100
Granted	—	—	0.0	—
Exercised	—	—	0.0	—
Forfeited, cancelled, or expired	—	—	0.0	—
Outstanding option balance as of June 30, 2026	227,000	$ 1.80	6.9	$ 635,600
Exercisable stock options as of June 30, 2026	227,000	$ 1.80	6.9	$ 635,600

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock option awards and the quoted closing price of the Company's common stock as of June 30, 2026.

The fair value of the stock options is expensed on a straight-line basis over the vesting period of one year, including the stock options granted to directors, as the annual stockholders' meeting is expected to occur at the same approximate time each year. As of June 30, 2026, there were no unrecognized compensation costs related to non-vested stock options.

12. SHARE REPURCHASES

On May 24, 2022, the Company announced that the Board of Directors ("Board") approved a share repurchase program ("SRP") authorizing the Company to repurchase up to $50.0 million of its common stock. On March 12, 2026, the Board further authorized the Company to repurchase up to an additional $25.0 million of its common stock under its existing repurchase program. Pursuant to this authorization, the Company may repurchase shares of its common stock on a discretionary basis from time to time through open market purchases. The repurchase program has no expiration date and may be modified, suspended, or terminated at any time. As of June 30, 2026, there was approximately $43.2 million of the authorization remaining for future common stock repurchases under the SRP.

Table 12: Share Repurchase Activity

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	(in thousands, except per share and share data)			
Amounts paid for shares repurchased [1]	$ 4,691	$ 4,002	$ 6,889	$ 4,002
Number of shares repurchased	1,042,350	1,488,227	1,559,486	1,488,227
Average per share price paid [1]	$ 4.50	$ 2.69	$ 4.42	$ 2.69

[1] Includes commission paid for repurchases on the open market.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Table 13: Details of Changes in Accumulated Other Comprehensive Loss by Category

	Foreign currency translation adjustment	Pension liability adjustment	Total
		(in thousands)	
Balance as of December 31, 2025	$ (177)	$ 81	$ (96)
Other comprehensive loss before reclassification, net of tax	(5)	—	(5)
Balance as of June 30, 2026	$ (182)	$ 81	$ (101)

14. EARNINGS (LOSS) PER SHARE

Basic EPS is computed by dividing net income (loss) by the basic weighted-average number of common shares outstanding for the period. Diluted EPS is calculated to give effect to all potentially dilutive common stock equivalents that were outstanding during the reporting period. The dilutive effects of outstanding common stock equivalents are determined using the treasury-stock and if-converted method, only in periods in which such effect would have been dilutive for the period.

Table 14: Weighted-Average Number of Shares Outstanding – Earnings (Loss) per Share

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
	(in thousands)			
Basic weighted-average number of shares outstanding	74,895	73,163	74,361	72,940
Dilutive effect on unvested restricted stock units and stock options	2,652	—	3,215	—
Diluted weighted-average number of shares outstanding	77,547	73,163	77,576	72,940

For the period of net loss, potentially dilutive securities are not included in the calculation of diluted net earnings (loss) per share, because to do so would be anti-dilutive. For the three and six months ended June 30, 2025, the diluted earnings per share calculation excludes 976,000 and 1,158,000, respectively, of potentially dilutive securities that were anti-dilutive.

For the three and six months ended June 30, 2026, and 2025, outstanding PSUs aggregating to 7,604,241 and 11,372,034 shares, respectively, have been excluded from the calculation of potentially dilutive securities above because the issuance of these shares is contingent upon certain conditions which were not satisfied by the end of the period.

15. SEGMENT INFORMATION

We operate our business in two reportable and operating segments: Security Solutions and Secure Networks.

- Our Security Solutions segment is primarily focused on cybersecurity, cloud and identity solutions, and secure messaging through Xacta®, Telos Automated Message Handling System ("AMHS") and Telos ID offerings.
- Our Secure Networks segment provides secure networking architectures and solutions to our customers through secure mobility solutions, and network management and defense services.

We measure each segment's profitability based on gross profit. Our Chief Executive Officer ("CEO"), whom we identified as the chief operating decision maker ("CODM"), evaluates the segment's performance based on metrics, such as segment revenue and gross profit, that align with our strategies and objectives, and provide a framework for the timely and rational allocation of resources between the segments.

We account for inter-segment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices, if any. There were no inter-segment sales and transfers during the three and six months ended June 30, 2026, and 2025. Interest income, interest expense, other income and expense items, and income taxes, as reported in the consolidated financial statements, are not part of the segment profitability measure and are primarily recorded at the corporate level.

Management does not utilize total assets by segment to evaluate segment performance or allocate resources. As a result, assets are not tracked by segment, and therefore, total assets by segment are not disclosed.

Table 15.1: Results of Operations by Business Segment (Quarter)

	For the Three Months Ended					
	June 30, 2026			June 30, 2025		
	Security Solutions	Secure Networks	Total	Security Solutions	Secure Networks	Total
	(in thousands)					
Revenues	$ 46,662	$ 1,083	$ 47,745	$ 32,474	$ 3,494	$ 35,968
Cost of Sales						
Depreciation and amortization [1]	2,511	3	2,514	1,714	1	1,715
Stock-based compensation expense [1]	184	18	202	139	10	149
Other segment items [2]	27,467	870	28,337	19,323	2,849	22,172
Total cost of sales	30,162	891	31,053	21,176	2,860	24,036
Gross profit	$ 16,500	$ 192	16,692	$ 11,298	$ 634	11,932
Operating expenses						
Research and development expenses			1,345			1,512
Selling, general and administrative expenses			15,037			20,303
Total operating expenses			16,382			21,815
Operating income (loss)			310			(9,883)
Other income			501			553
Interest expense			(107)			(141)
Income (loss) before income taxes			704			(9,471)
Provision for income taxes			(44)			(46)
Net income (loss)			$ 660			$ (9,517)

[1] The significant segment expense categories and amounts align with the segment-level information regularly provided to the CODM.

[2] Other segment items for each reportable segment include direct labor, direct subcontractor costs, direct materials and inventory, other direct non-labor costs, fringes, overhead, and facility costs.

Table 15.2: Results of Operations by Business Segment (Year-to-Date)

	For the Six Months Ended					
	June 30, 2026			June 30, 2025		
	Security Solutions	Secure Networks	Total	Security Solutions	Secure Networks	Total
	(in thousands)					
Revenues	$ 92,632	$ 2,855	$ 95,487	$ 58,292	$ 8,292	$ 66,584
Cost of Sales						
Depreciation and amortization [1]	5,104	6	5,110	3,215	3	3,218
Stock-based compensation expense [1]	378	40	418	308	31	339
Other segment items [2]	53,787	2,105	55,892	32,411	6,502	38,913
Total cost of sales	59,269	2,151	61,420	35,934	6,536	42,470
Gross profit	$ 33,363	$ 704	34,067	$ 22,358	$ 1,756	24,114
Operating expenses						
Research and development expenses			2,702			3,083
Selling, general and administrative expenses			29,600			39,936
Total operating expenses			32,302			43,019
Operating income (loss)			1,765			(18,905)
Other income			1,198			1,114
Interest expense			(218)			(288)
Income (loss) before income taxes			2,745			(18,079)
Provision for income taxes			(62)			(42)
Net income (loss)			$ 2,683			$ (18,121)

[1] The significant segment expense categories and amounts align with the segment-level information regularly provided to the CODM.

[2] Other segment items for each reportable segment include direct labor, direct subcontractor costs, direct materials and inventory, other direct non-labor costs, fringes, overhead, and facility costs.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Table 16.1: Details of Cash, Cash Equivalents, and Restricted Cash

	June 30, 2026	December 31, 2025
	(in thousands)	
Cash and cash equivalents	$ 50,647	$ 53,180
Restricted cash [1]	141	140
Cash, cash equivalents, and restricted cash	$ 50,788	$ 53,320

[1] Restricted cash consists of a commercial money market account held as a deposit on the Ashburn lease and is included within "Other assets" on the unaudited consolidated balance sheets.

Table 16.2: Supplemental Cash Flow Information

	For the Six Months Ended	
	June 30, 2026	June 30, 2025
	(in thousands)	
Cash paid during the period for:		
Interest	$ 203	$ 252
Income taxes	106	39
Non-cash investing and financing activities:		
Issuance of common stock for 401(k) match	$ 1,659	$ 2,063
Capital expenditure activity in accounts payable and other accrued liabilities	23	130
Issuance of common stock for AIP payment	3,987	—

17. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Company may be a party to litigation or claims arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes, and other business matters. These legal proceedings typically seek various remedies, including claims for monetary damages in varying amounts or unspecified amounts. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, management believes that the outcome of any such known matters will not have a material adverse effect on the Company's business or its unaudited consolidated financial statements as of June 30, 2026.

Other - Government Contracts

As a U.S. federal government contractor, we are subject to various audits and investigations by the U.S. federal government to determine whether our operations are being conducted in accordance with applicable regulatory requirements. U.S. federal government investigations of our operations, whether relating to government contracts or conducted for other reasons, could result in administrative, civil, or criminal liabilities, including repayments, fines or penalties being imposed upon us, suspension, proposed debarment, debarment from eligibility for future U.S. federal government contracting, or suspension of export privileges. Suspension or debarment could have a material adverse effect on us because of our dependence on contracts with the U.S. federal government. U.S. federal government investigations often take years to complete and many result in no adverse action against us. We also provide products and services to customers outside the United States, which are subject to U.S. and foreign laws and regulations and foreign procurement policies and practices. Our compliance with local regulations or applicable U.S. federal government regulations may also be audited or investigated.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," and similar expressions are intended to identify forward-looking statements. Several important factors could cause the Company's actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth in the risk factors section included in the Company's Form 10-K for the year ended December 31, 2025, as filed with the SEC on March 16, 2026.

Overview and Business Environment

Overview

Telos Corporation empowers and protects the world’s most security-conscious organizations with efficient, adaptable, and secure solutions that safeguard people, systems, and information. We deliver advanced capabilities across cyber governance, risk, and compliance ("GRC") with Xacta; identity and biometric solutions; secure networks and communications; and TSA PreCheck® enrollment services. Our primary customers include the U.S. federal government, large commercial organizations, state and local governments, and global enterprises. Telos helps customers stay ahead of evolving threats, accelerate compliance, and achieve mission success. Driven by purpose and guided by our core values, we build trusted partnerships, deliver superior solutions, and help create a more secure, interconnected world.

In the fourth quarter of FY2025, Telos launched Xacta.ai™, the artificial intelligence ("AI") capability at the core of the Xacta cyber GRC platform, dramatically reducing compliance time and effort. Xacta.ai delivers expert-level guidance and real-time insights, empowering organizations to move from reactive compliance to proactive risk management.

Business Environment

U.S. Federal Government

Our consolidated revenue is largely attributable to prime contracts or to subcontracts with prime contractors engaged in work for the U.S. federal government, with the remaining revenue attributable to state and local governments, and commercial markets. We generated approximately 92% and 90% of our total revenues from contracts with U.S. government agencies in the first half of fiscal year ("FY") 2026 and 2025, respectively.

Our business performance is affected by the overall level of U.S. government spending and the alignment of our offerings and capabilities with the budget priorities of the U.S. government. While certain administration priorities, such as cybersecurity, national security and AI, present greater opportunity for our products and services, turmoil within the federal government, including personnel and leadership turnover and budgetary uncertainty, has had the effect of lengthening our sales cycle in certain cases. We continuously monitor U.S. federal budget, legislative, and contracting trends and activities, and align our capabilities in response to these developments.

Macroeconomic Conditions

During the first half of FY2026, the global economy has continued to experience volatility arising from geopolitical developments and broader economic and financial factors, specifically including the ongoing conflict in the Middle East. This volatility has resulted in, and may be expected to continue to result in, rising energy prices, supply chain disruptions, and inflationary pressures, among other consequences. However, in part due to the importance of our offerings to our customers, the type of solutions we provide, and the nature of our largest customers, to date our business has not been materially impacted by these consequences. If global volatility continues to increase and the conflict in the Middle East is prolonged or intensifies, the economic uncertainty inherent in such global instability may affect our results of operations. Management continues to monitor this evolving geopolitical situation.

Financial Overview

Several key highlights of our financial performance in the second quarter of 2026 are described below. More details are presented in our "Results of Operations" section.

- Revenue increased 32.7% due to 43.7% growth in Security Solutions, driven primarily by the expansion of multiple large programs in Telos ID.
- Operating expenses decreased by $5.4 million, or 24.9%, year-over-year due to lower stock-based compensation and ongoing disciplined cost management.
- Net income expanded by $10.2 million, from a net loss of $9.5 million in the second quarter of 2025 to a net income of $0.7 million in the current quarter.
- Cash flow from operations improved by $1.9 million year-over-year, increasing from a $6.9 million inflow in the second quarter of 2025 to an $8.8 million inflow in the second quarter of 2026, primarily due to improved revenue and profitability.
- Deployed $4.7 million to repurchase approximately 1.0 million shares of the Company's common stock during the quarter at an average share price of $4.50 per share.

Results of Operations

Table MD&A 1: Consolidated Results of Operations

	For the Three Months Ended			For the Six Months Ended		
	June 30, 2026	June 30, 2025	Dollar Change	June 30, 2026	June 30, 2025	Dollar Change
			(dollars in thousands)			
Revenue	$ 47,745	$ 35,968	$ 11,777	$ 95,487	$ 66,584	$ 28,903
Cost of sales	31,053	24,036	7,017	61,420	42,470	18,950
Gross profit	16,692	11,932	4,760	34,067	24,114	9,953
Gross margin	*35.0 %*	*33.2 %*		*35.7 %*	*36.2 %*	
Operating expenses	16,382	21,815	(5,433)	32,302	43,019	(10,717)
Operating expenses as percentage of revenue	*34.3 %*	*60.7 %*		*33.8 %*	*64.6 %*	
Operating income (loss)	310	(9,883)	10,193	1,765	(18,905)	20,670
Other income	501	553	(52)	1,198	1,114	84
Interest expense	(107)	(141)	34	(218)	(288)	70
Income (loss) before income taxes	704	(9,471)	10,175	2,745	(18,079)	20,824
Provision for income taxes	(44)	(46)	2	(62)	(42)	(20)
Net income (loss)	$ 660	$ (9,517)	$ 10,177	$ 2,683	$ (18,121)	$ 20,804

Consolidated Results

Our business segments have different factors driving revenue fluctuations and profitability. The changes in our revenue and profitability are discussed in greater detail in the following section, "Segment Results." We generate revenue from the delivery of products and services to our customers. Cost of sales, for both products and services, consists of labor, materials, subcontracting costs and an allocation of indirect costs.

Operating Expenses

In the second quarter of 2026, operating expenses decreased by $5.4 million, or 24.9%, compared to the same quarter in 2025. Research and development ("R&D") expenses slightly decreased by $0.2 million, or 11.0%, in the second quarter of 2026, compared to the same period in 2025. Selling, general and administrative ("SG&A") expenses decreased by $5.3 million, or 25.9%, in the second quarter of 2026, compared to the same period in 2025, primarily due to lower stock-based compensation expenses. Reductions in SG&A expenses, other than stock-based compensation, were due to ongoing cost discipline and restructuring. As a percentage of revenue, overall operating expenses were 34.3% and 60.7% for the three months ended June 30, 2026, and 2025, respectively.

For the six months ended June 30, 2026, operating expenses decreased by $10.7 million, or 24.9%, compared with the same period in 2025. R&D expenses slightly declined by $0.4 million, or 12.4%, in the first half of 2026, compared to the same period in 2025. SG&A expenses decreased by $10.3 million, or 25.9%, in the first half of 2026, compared to the same period in 2025, primarily due to lower stock-based compensation expenses. Reductions in SG&A expenses, other than stock-based compensation, were due to ongoing cost discipline and restructuring. As a percentage of revenue, overall operating expenses were 33.8% and 64.6% for the six months ended June 30, 2026, and 2025, respectively.

Other income

Other income decreased by 9.4% in the second quarter of 2026, compared to the same period in 2025, primarily due to changes in dividend income from money market placements. However, other income for the six months ended June 30, 2026, increased by 7.5%, compared to the same period in 2025, primarily due to the refund in 2026 of a prior-year VAT claim that was previously determined to be uncollectible.

Segment Results

The accounting policies of each business segment are the same as those followed by the Company as a whole. Management evaluates business segment performance based on gross profit.

Table MD&A 2: Security Solutions Segment - Financial Results

	For the Three Months Ended			For the Six Months Ended		
	June 30, 2026	June 30, 2025	Dollar Change	June 30, 2026	June 30, 2025	Dollar Change
			(dollars in thousands)			
Revenue	$ 46,662	$ 32,474	$ 14,188	$ 92,632	$ 58,292	$ 34,340
Cost of sales (excluding depreciation and amortization)	27,651	19,462	8,189	54,165	32,719	21,446
Depreciation and amortization	2,511	1,714	797	5,104	3,215	1,889
Total cost of sales	30,162	21,176	8,986	59,269	35,934	23,335
Gross profit	$ 16,500	$ 11,298	$ 5,202	$ 33,363	$ 22,358	$ 11,005
Gross margin	*35.4 %*	*34.8 %*		*36.0 %*	*38.4 %*	

Three Months Ended June 30, 2026, Compared with Three Months Ended June 30, 2025

Security Solutions segment revenue for the second quarter of 2026 increased by 43.7%, compared to the same period in 2025, primarily due to the expansion of multiple large programs in Telos ID.

Security Solutions gross profit for the second quarter of 2026 increased by 46.0%, compared with the same period in 2025, primarily due to higher segment revenues. Likewise, segment gross margin increased from 34.8% to 35.4% for the second quarter of 2026, compared with the same period in 2025.

Six Months Ended June 30, 2026, Compared with Six Months Ended June 30, 2025

Security Solutions segment revenue for the six months ended June 30, 2026, increased by 58.9%, compared to the same period in 2025, primarily due to the expansion of multiple large programs in Telos ID.

Segment gross profit for the six months ended June 30, 2026, increased by 49.2%, compared to the same period in 2025, due to higher segment revenues. By contrast, segment gross margin decreased from 38.4% in 2025 to 36.0% in 2026, primarily due to higher non-cash infrastructure costs.

Table MD&A 3: Secure Networks Segment - Financial Results

	For the Three Months Ended			For the Six Months Ended		
	June 30, 2026	June 30, 2025	Dollar Change	June 30, 2026	June 30, 2025	Dollar Change
			(dollars in thousands)			
Revenue	$ 1,083	$ 3,494	$ (2,411)	$ 2,855	$ 8,292	$ (5,437)
Cost of sales (excluding depreciation and amortization)	888	2,859	(1,971)	2,145	6,533	(4,388)
Depreciation and amortization	3	1	2	6	3	3
Cost of sales	891	2,860	(1,969)	2,151	6,536	(4,385)
Gross profit	$ 192	$ 634	$ (442)	$ 704	$ 1,756	$ (1,052)
Gross margin	*17.7 %*	*18.1 %*		*24.7 %*	*21.2 %*	

Three Months Ended June 30, 2026, Compared with Three Months Ended June 30, 2025

Secure Networks segment revenue for the three months ended June 30, 2026, decreased by 69.0%, compared to the same period in 2025, primarily due to the continued ramp down of several programs within the portfolio without corresponding new business wins to backfill completed programs.

Segment gross profit for Secure Networks for the second quarter of 2026, decreased by 69.7%, compared with the same period in 2025, primarily due to lower segment revenues. Likewise, segment gross margin decreased from 18.1% to 17.7% for the second quarter of 2026, compared with the same period in 2025.

Six Months Ended June 30, 2026, Compared with Six Months Ended June 30, 2025

Secure Networks segment revenue for the six months ended June 30, 2026, decreased by 65.6%, compared to the same period in 2025, primarily due to the continued ramp down of several programs within the portfolio without corresponding new business wins to backfill completed programs.

Segment gross profit for the six months ended June 30, 2026, decreased by 59.9%, compared to the same period in 2025, due to lower segment revenues. By contrast, segment gross margin expanded from 21.2% in 2025 to 24.7% in 2026, primarily due to program mix.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, future operating cash flows, and, if needed, sale of receivables under the Factoring Agreement and/or borrowings under our $15.0 million revolving credit facility with a maturity date of December 30, 2026, and with an available expansion feature of up to $15.0 million of additional revolver facility. A variety of factors related to sources and uses of cash, such as timeliness of accounts receivable collections, vendor credit terms, or significant collateral requirements, ultimately impact our liquidity.

As of June 30, 2026, we had cash and cash equivalents of $50.6 million and our working capital was $56.2 million.

We place a strong emphasis on liquidity management. This focus gives us the flexibility to deploy capital while preserving a strong balance sheet to position us for future opportunities. We believe we have adequate funds on hand to execute our financial and operating strategy. Our overall financial position and liquidity are strong. Although no assurances can be given, we believe available cash balances and access to our revolving credit facility and Factoring Agreement are sufficient to maintain the liquidity we require to meet our operating, investing and financing needs for the next 12 months.

Cash Flow

Table MD&A 4: Net Change in Cash, Cash Equivalents, and Restricted Cash

	For the Six Months Ended	
	June 30, 2026	June 30, 2025
	(in thousands)	
Net cash provided by operating activities	$ 17,489	$ 13,056
Net cash used in investing activities	(4,493)	(4,658)
Net cash used in financing activities	(15,528)	(5,978)
Net change in cash, cash equivalents, and restricted cash	$ (2,532)	$ 2,420

Net cash provided by operating activities for the six months ended June 30, 2026, was $17.5 million, an increase of $4.4 million, compared to the same period in 2025. The change is attributable to favorable changes in working capital, primarily driven by higher cash earnings (i.e., net income (loss), excluding non-cash items that do not impact cash flows from operating activities), coupled with the timing of receipts from customers and the timing of payments to vendors.

Net cash used in investing activities for the six months ended June 30, 2026, slightly decreased by $0.2 million, compared to the same period of the prior year, primarily due to the decreases in capital expenditures in 2026.

Net cash used in financing activities for the six months ended June 30, 2026, increased by $9.6 million, compared to the same period in 2025. This is primarily attributable to the increases in payment of tax withholding related to net share settlement of equity awards of $7.6 million in the first half of 2026, compared with $1.1 million in the same period of 2025, and the repurchase of common stock of $6.9 million in 2026 under the share repurchase program (See Note 12 – Share Repurchases), compared with $4.0 million in 2025.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates, judgments, and assumptions that affect the amounts reported. Actual results could differ from those estimates. The 2025 Form 10-K, as filed with the SEC on March 16, 2026, includes a summary of the critical accounting policies we believe are the most important to aid in understanding our financial results. There have been no changes to those critical accounting policies that have had a material impact on our reported amounts of assets, liabilities, revenues, or expenses during the six months ended June 30, 2026.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to a variety of financial risks, such as interest rate risk, foreign currency translation risk, and counterparty risk, which can affect our operations and profitability. The Company's market risk disclosure set forth in "Part II, Item 7A – Quantitative and Qualitative Disclosure about Market Risk," in the 2025 Form 10-K, as filed with the SEC on March 16, 2026, has not changed materially during the six months ended June 30, 2026.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), which are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, including this Report, are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Company under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer ("CEO") and principal financial officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including the Company's CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Report and, based on that evaluation, the Company's CEO and CFO concluded that the Company’s disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2026.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2026, identified in connection with management’s evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding legal proceedings is included under Note 17 – Commitments and Contingencies to the unaudited consolidated financial statements.

Item 1A. Risk Factors

There were no material changes to the risk factors previously disclosed under "Part I, Item 1A – Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2025.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Securities

None.

(b) Use of Proceeds

None.

(c) Issuer Purchases of Equity Securities

Common Stock Purchase Activity During the Three Months Ended June 30, 2026

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share [1]	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plans [1]	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans [1]
April 1, 2026 - April 30, 2026	—	$ —	—	$ 47,890,350
May 1, 2026 - May 31, 2026	309,250	4.42	309,250	$ 46,524,310
June 1, 2026 - June 30, 2026	733,100	4.54	733,100	$ 43,199,457
Total	1,042,350	$ 4.50	1,042,350	

[1] On May 24, 2022, the Board of Directors ("Board") authorized a Share Repurchase Program, pursuant to which the Company can repurchase up to $50.0 million of issued and outstanding common stock. On March 12, 2026, the Board authorized an increase to the existing stock purchase program whereby the Company may purchase, at management's discretion, up to an additional $25.0 million of its common stock. The repurchase program has no expiration date and may be modified, suspended, or terminated at any time. For the second quarter of 2026, the Company repurchased 1,042,350 shares of common stock under the program for an aggregate price of $4.7 million on the open market.

Item 3. Defaults upon Senior Securities

(a) None.

(b) None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) During the three months ended June 30, 2026, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number		Description
19.1	+	Insider Trading Policy (August 2026)
31.1	+	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	+	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	^	Certification pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	+	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	+	XBRL Taxonomy Extension Schema Document
101.CAL	+	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	+	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	+	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	+	XBRL Taxonomy Extension Presentation Linkbase Document
104	+	Cover Page Interactive Data File - the cover page iXBRL tags are embedded within the Inline XBRL document contained in Exhibit 101

+	Filed herewith
^	Furnished herewith

SIGNATURES

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

TELOS CORPORATION

/s/ John B. Wood	August 10, 2026
By: John B. Wood Chief Executive Officer (Principal Executive Officer)	
/s/ Mark Bendza	August 10, 2026
By: Mark Bendza Chief Financial Officer (Principal Financial Officer)	
/s/ DJ Terreri	August 10, 2026
By: DJ Terreri Controller and Chief Accounting Officer (Principal Accounting Officer)	

TELOS CORPORATION

INSIDER TRADING POLICY

The Insider Trading Policy ("Policy") describes the requirements of Telos Corporation, a Maryland corporation, and its subsidiaries (collectively, the "Company" or "Telos") related to trading, and causing the trading of, the Company's securities or securities of certain other publicly traded companies while in possession of "material" and "non-public" information. This Policy applies to all officers of the Company, all members of the Company's Board of Directors and all employees of the Company. The Company may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to material non-public information. This Policy also applies to family members, other members of a person's household and entities controlled by a person covered by this Policy, as described below. Certain capitalized terms are defined In Section 5 of this Policy.

1. **GENERAL**

A major purpose of the Federal securities law is to prohibit "insider trading". Insider trading occurs when a person uses material non-public information obtained through involvement with a company to make decisions to purchase, sell, give away, or otherwise trade that company's securities, or provide that information to others outside the company. The prohibitions against insider trading apply to trades, tips, and recommendations by virtually any person, including all persons associated with the subject company, when "material" and "non-public" information is involved. Anyone violating the insider trading prohibition is subject to personal liability and could face criminal penalties.

Telos takes seriously its obligation, and that of its associates, to prevent insider trading violations. In light of the severity of the possible sanctions, both to individuals and to the Company, Telos has established this Policy to assist all Company personnel in understanding and complying with these obligations. Violations of this Policy or any other Company policy could subject the violator to disciplinary action, up to and including termination of employment or any relationship with the Company. This Policy does not supersede or replace each person's responsibility to understand and comply with the legal prohibitions on insider trading. For answers to specific questions regarding this Policy or applicable law, contact the Compliance Officer.

For purposes of this Policy, Telos securities includes the Company's common stock, options to purchase common stock, or any other type of securities that the Company may issue, including (but not limited to) preferred stock, convertible debentures and warrants, as well as derivative securities that are not issued by the Company, such as exchange-traded put or call options or swaps relating to Telos securities.

2. **STATEMENT OF POLICY**

It is the policy of the Company that no director, officer or other employee of the Company (or any other person designated by this Policy or by the Compliance Officer as subject to this Policy) may, directly or indirectly through family members or other persons or entities:

- Buy, sell or transfer Telos securities at any time while possessing Material Non-Public Information relating to Telos, except as otherwise specified in this Policy.

- Buy, sell or transfer securities of another company while possessing Material Non-Public Information about that company when that information was obtained in the course of employment with, or the performance of services on behalf of, Telos.
- Use Material Non-Public Information relating to Telos, or Material Non-Public Information relating to another company that was obtained in the course of employment with, or the performance of services on behalf of, Telos, to trade, wager, or otherwise participate (directly or through a pseudonymous, anonymous or blockchain-based account) in any prediction market, betting platform, event contract, or similar arrangement (whether regulated or unregulated, domestic or foreign) whose outcome, value, or payout may reasonably be expected to be affected by such information.
- Transfer Telos securities to a third party without consideration, including gifts, donations, or charitable contributions, while possessing Material Non-Public Information relating to Telos, except as otherwise specified in this Policy.
- Disclose Telos Material Non-Public Information to persons within the Company whose jobs do not require them to have that information or outside of the Company to other persons, including, but not limited to, family, friends, business associates, investors and expert consulting firms, unless any such disclosure is made in accordance with the Company's policies regarding the protection or authorized external disclosure of information regarding the Company.
- Disclose ("tip") Material Non-Public Information to any other person, including family members, if the person may use that information to their benefit by trading in the related securities.
- Make positive or negative recommendations or express opinions on the basis of Material Non-Public Information with regard to trading in Telos securities.
- Comment on stock price movements or on rumors or stories about Company developments that the investing public may consider significant, unless it is part of that employee's job (e.g., in an Investor Relations role) or the Chief Executive Officer or Chief Financial Officer has specifically authorized that employee to speak on behalf of the Company in that instance.

It is also the policy of the Company that Insiders (as defined in Section 5) may not buy or sell Telos securities during any of the four "Quiet Periods" that occur each fiscal year (see Section 5(a)). An Insider (other than a Section 16 Individual) who terminates their employment or other relationship with the Company remains subject to this Policy until the end of the first full Quiet Period following the termination of employment or other relationship. A Section 16 Individual remains subject to this Policy for a period of six (6) months following the termination of their status as a Section 16 Individual.

Insiders may not engage in the following types of transactions in the Company's securities unless the Compliance Officer grants advance written approval:

- *Short-term trading*. Insiders who purchase Company securities may not sell any Company securities of the same class for at least six (6) months after the purchase, and vice versa.
- *Short sale*. Insiders may not sell the Company's securities short.
- *Options trading*. Insiders may not buy or sell puts, calls, or other option types, or otherwise trade in derivative securities related to the Company's securities.
- *Trading on margin or pledging*. Insiders may not trade Company securities on margin, hold Company securities in a margin account, or pledge Company securities as collateral for a loan, without pre-clearance from the Compliance Officer.

- *Hedging*. Insiders may not enter into hedging, monetization transactions, or similar arrangements with respect to Company securities.

There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

3. **CERTAIN EXCEPTIONS**

(a) *Certain Stock Option and Restricted Stock Unit Transactions*. This Policy's restrictions on transactions in Telos securities do not apply to the cash or "net" exercise of stock options, or to the surrender or the retention and withholding from delivery of shares to cover taxes owed due to vesting of restricted stock or restricted stock units ("RSUs") in a manner permitted by the applicable equity award agreement or the Company's long term incentive plan pursuant to which the restricted stock or RSUs were granted. The restrictions <u>do</u> apply to an Insider's subsequent sale of any shares issued in connection with an option exercise or vesting of restricted stock or RSUs, however.

(b) *10b5-1 Trading Plan Exception*. These trading restrictions do not apply to transactions effectuated on behalf of an Insider under a pre-existing written plan, contract, instruction, or arrangement that complies with Rule 10b5-1 under the Securities Exchange Act of 1934 (the "1934 Act") and all of the requirements set forth in the Company's "Guidelines for Rule 10b5-1 Plans" attached to this Policy as <u>Appendix A</u>.

4. **PRE-CLEARANCE OF TRADES AND SPECIAL SITUATIONS**

The Insider must obtain "pre-clearance" at any time prior to buying or selling Telos securities. The requesting person must complete a Request for pre-clearance form and submit it to the Compliance Officer and then await the Compliance Officer's written approval before executing the intended transaction.

(a) *Section 16 Individuals*. "Section 16 Individuals" include all members of the Telos Board of Directors, the Company's executive officers, and certain strategic business unit leaders who must report transactions in Company securities pursuant to Section 16 of the 1934 Act. Section 16 Individuals are always Insiders for purposes of this Policy. The Compliance Officer will notify those who the Company has identified as subject to the Section 16 requirements. The individuals must comply with the pre-clearance requirement during, and for six (6) months after the termination of, their status as a Section 16 Individual.

(b) *Other Restricted Persons*. Certain Telos employees, consultants, agents, joint venture partners (or others who regularly receive or have access to Telos Material Non-Public Information), may be deemed Insiders for purposes of this Policy. Examples of persons who are most likely to be subject to this Policy by virtue of their jobs are members of the executive leadership team and their administrative staff and members of the Legal, Investor Relations, Finance and Business Development departments. The Compliance Officer will notify the individuals who will be subject to this Policy.

Telos may determine that other persons should be considered Insiders, subject to this Policy, for a period of time if Telos believes that in the normal course of their duties during that time period they are likely to have access to Material Non-Public Information. The Compliance Officer will notify these individuals of the time periods during which they are subject to the Policy.

Individuals who are notified that they are Insiders subject to this Policy, whether on a permanent or temporary basis, are referred to as "Other Restricted Persons" in this Policy.

(c) *Time Limit on Pre-Clearance*. When the Compliance Officer issues pre-clearance for an Insider's proposed trade, the pre-clearance is valid for three (3) calendar days. If the requesting Insider does not execute the trade within this timeframe, they must resubmit the pre-clearance request.

(d) *Event-Specific Trading Restrictions*. From time to time, an event may occur that is material to the Company and is known by only a few directors, officers, employees, or others. The Compliance Officer may determine that it is necessary to re-define the class of persons who may not trade Telos securities while the event remains Material Non-Public Information. In addition, the Company's financial results may be sufficiently material for a particular fiscal quarter that, in the judgment of the Compliance Officer, either a broad class of persons should be prohibited from trading in Telos securities or the quarterly Quiet Period should commence earlier than usual, or both. In these situations, the Compliance Officer will notify the affected Insiders and Other Restricted Persons regarding the additional restrictions on trading Telos securities, without disclosing the reason for the restriction. The existence of an event-specific trading restriction period or extension of a Quiet Period will not be announced to the Company as a whole, and should be treated as confidential information not to be communicated to any other person.

(e) *Suspension of Trading*. From time to time, the Compliance Officer may recommend that all Insiders should suspend trading in Telos securities because of Material Non-Public Information or events. The Compliance Officer will communicate the suspension to all Insiders, including any additional individuals who have been designated Other Restricted Persons. All those affected may not trade in Telos securities while the suspension is in effect and should not disclose to others that Telos has suspended trading for certain individuals.

(f) *Standing and Limit Orders, Margin Accounts, and Security Pledges*. Standing and limit orders (except standing and limit orders under an approved Rule 10b5-1 Plan), the use of margin accounts, and the pledging of Company securities as collateral for a loan, each create heightened risks for insider trading violations. There can be little or no control over the timing of purchases or sales that result from standing trade instructions to a broker, and as a result the broker could execute a transaction when an Insider is in possession of Material Non-Public Information. Similarly, a margin call under a margin account or the sale of Company securities by a secured creditor could result in an involuntary sale of Company securities at a time when an Insider may be in possession of Material Non-Public Information. The Company therefore discourages placing long-term standing or limit orders on Company securities, the holding of Company securities in a margin account, and the pledging of Company securities as collateral for a loan.

If an Insider determines that they must use a standing order or limit order, trade company securities on margin, hold Company securities in a margin account, or pledge Company securities as collateral for a loan, they must disclose the circumstances to the Compliance Officer and comply with all restrictions and pre-clearance procedures outlined in this Policy.

5. DEFINITIONS

(a) *Quiet Periods*. The four quarterly Quiet Periods begin on March 31st, June 30th, September 30th, and December 31st of each year, and end when one full trading day has passed on the NASDAQ Stock Market after Telos announces its results for the preceding fiscal quarter. If the final day of the month falls on a weekend, the Quiet Period will start at the close of business on the last trading day prior to the weekend.

Assuming NASDAQ is open each day, below is an example of when trading can begin:

- If the Company’s earnings announcement is released before NASDAQ opens on Monday, the earliest trading day is Tuesday.
- If the Company’s earnings announcement is released while NASDAQ is open on Monday, the earliest trading day is Wednesday.
- If the Company’s earnings announcement is released after NASDAQ closes on Monday, the earliest trading day is Wednesday.

(b) *Insiders*. Insiders are (i) members of the Board of Directors of the Company and executive officers; (ii) identified Company employees whose job requirements involve them in the preparation of financial reporting, board interactions, or investor relations, or otherwise expose them to Material Non-Public Information; (iii) any other individual designated in writing by the Compliance Officer as an Insider and notified of such status including, but not limited to, employees, consultants, and other persons associated with the Company who receive or have access to the Company’s Material Non-Public Information; and (iv) household and immediate family members (parent, child, spouse, sibling) of those listed in (i) through (iii).

(c) *Material Information*. Information is deemed to be material if there is a reasonable likelihood that it would be considered important to an investor in making a decision regarding the purchase or sale of securities. While it is not possible to define all categories of material information, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information include:

- Unpublished financial results
- Pending restatements of previously disclosed financial results
- Projections of future earnings or losses
- News of a pending or proposed merger
- Establishment of a repurchase program for Telos securities
- Acquisitions or divestitures
- Purchase or sale of substantial assets
- Impending bankruptcy or financial liquidity problems
- Extraordinary borrowings
- Defaults under agreements or actions by creditors, customers, or suppliers relating to a company’s credit standing
- Gain or loss of a substantial contract, customer or supplier
- Changes in dividend policy
- New product announcements of a significant nature
- Significant pricing changes
- Stock splits or stock dividends
- New equity or debt offerings
- Significant litigation exposure due to actual or threatened litigation

- Major changes in senior management
- Cybersecurity risks and incidents

Either positive or negative information may be material. If unsure whether information is material, consult the Compliance Officer before making any decision to disclose such information or to trade in or recommend securities to which that information relates. Assume that the information is material until there is clear reason to believe otherwise.

(d) *Non-Public Information*. Non-Public Information is information that has not been disclosed to the general public and is not available to the general public. Non-Public Information generally will be deemed to be public after one full trading day has passed on NASDAQ following the date when the information is disclosed publicly. To show that information is public, a person should be able to point to some evidence that is widely disseminated. Information would generally be deemed widely disseminated if it has been disclosed, for example, in the Dow Jones broad tape or news wire services such as Bloomberg, Business Wire, AP, UPI, or Reuters; radio or television; newspapers or magazines; or in widely circulated public disclosure documents filed with the SEC, such as prospectuses, current reports on Form 8-K, quarterly reports on Form10-Q, or annual reports on Form 10-K. As with questions of materiality, if unsure whether information is considered public, either consult with the Compliance Officer or assume that the information is non-public and treat it as confidential.

6. SAFEGUARDING CONFIDENTIAL INFORMATION

Determinations of materiality are complex and difficult and depend upon an analysis of complex facts and circumstances. A person should assume that any confidential information they possess, about Telos or any other public company qualifies as Non-Public Information and is material.

In order to safeguard Company confidential information, and to minimize the possibility that any employee will violate the law or this Policy, the following procedures have been adopted:

- All confidential information relating to Company business is Non-Public Information and should be handled on a need-to-know basis. Such information should not be discussed with any person who does not need to know such information for purposes of conducting Company business. Friends and relatives are among the persons with whom confidential information should not be discussed.
- Whenever confidential information must be disclosed to an employee or third party, the recipient of such information should be informed of the confidential nature of the information and that it qualifies as Non-Public Information pursuant to the Policy.
- Confidential information should not be discussed in hallways, elevators, or other public places (such as airplanes, restaurants, or public restrooms) where conversations might be overheard, and inadvertent disclosure should not be made through speaker phone discussions that can be overhead by others.
- In order to prevent unauthorized access, confidential documents should be stored appropriately when not being used, and other appropriate precautions should be taken. These may include storage in locked drawers, use of sealed envelopes, marking documents “Confidential”, shredding documents, and using secret access codes and other appropriate computer security measures.
- Persons who have any doubt about whether they possess Non-Public Information regarding Telos or any other company should not disseminate such information to anyone outside the Company until after consulting the Compliance Officer and receiving clearance.

7. POTENTIAL CRIMINAL AND CIVIL LIABILITY; DISCIPLINARY ACTION

(a) *Individual Responsibility*. Each person is individually responsible for complying with the securities laws and this Policy, regardless of whether Telos has notified that person of a trading prohibition. The fact that no Quiet Period or suspension period is currently in effect should not be considered a “safe harbor” for trading. Each person must still consider whether they are then in possession of Material Non-Pubic Information before executing a trade. The matters set forth in this Policy are guidelines only, and each person must exercise appropriate judgment in connection with all securities trading. Any Insider who believes that a violation of this Policy has taken place must report that violation to the Compliance Officer.

(b) *Potential Sanctions*.

1. *Liability for Insider Trading*. Insiders may be subject to significant financial penalties and jail terms for trading in securities when they have Material Non-Public Information. In addition to the potential civil and criminal liabilities, in certain circumstances, the Company may be able to recover all profits made by an Insider who traded illegally and collect other damages. Further, the Company (and its directors and executive officers) could face significant civil penalties as a result of an employee’s violation and/or a criminal penalty for failing to take steps to prevent insider trading.

2. *Liability for Tipping*. Insiders may also be liable for improper transactions by any person to whom they have disclosed Material Non-public Information (commonly referred to as a “tippee”), or to whom they have made recommendations or expressed opinions on the basis of such information about trading securities. The Securities and Exchange Commission (“SEC”) has imposed large penalties even when the disclosing person did not profit from the trading. The SEC, the stock exchanges, the Financial Industry Regulatory Authority, and law enforcement bodies all use sophisticated electronic surveillance techniques to uncover insider trading and other illegal activity.

3. *Possible Disciplinary Action*. Individuals who violate this Policy will be subject to disciplinary action, which may include up to ineligibility for future participation in Telos equity incentive plans or termination of employment or other relationship with Telos.

8. COMPLIANCE OFFICER

(a) *Identity of Compliance Officer*. The Compliance Officer is its General Counsel. Telos may, in its sole discretion, change the Compliance Officer from time to time.

(b) *Duties of the Compliance Officer*. The duties of the Compliance Officer, or their designee, which may be executed on the advice of counsel, shall include, but not be limited to:

- Determining who the Section 16 Individuals are and notifying them.
- Determining who the Other Restricted Persons are and notifying them.
- Pre-clearing all securities transactions by Insiders to determine compliance with this Policy, insider trading laws, and other applicable securities laws and regulations.
- Assisting Section 16 Individuals in the preparation and filing of Section 16 reports (Form 3, 4 and 5).
- Serving as the Company’s designated recipient of copies of reports that Section 16 Individuals file with the SEC.

- Reminding all Section 16 Individuals periodically of their reporting obligations.
- Performing periodic cross-checking of available materials, which may include Forms 3, 4 and 5, Forms 144, Schedules 13D and 13G, D&O questionnaires, and reports received from the Company's stock administrator and transfer agent, to determine insider trading activity.
- Circulating this Policy or a summary to all employees, including Insiders such as Section 16 Individuals and Other Restricted Persons, and providing this Policy and other appropriate materials to new directors, officers, and other employees who have, or may have, access to Material Non-Public Information.
- Assisting the Company's Board of Directors in implementation of this Policy.
- Compliance activities with respect to Rule 144 sales of Telos securities.

9. ADDITIONAL INFORMATION – FOR SECTION 16 INDIVIDUALS

Section 16 Individuals must also comply with the reporting obligations and limitations on "short-swing" transactions set forth in the Federal securities laws. The practical effect of these provisions is that Section 16 Individuals who both purchase and sell the Company's securities within a six-month period must refund all profits from the sale to the Company, whether or not they had knowledge of any Material Non-Public Information.

Under these provisions, and so long as certain other criteria are met, the receipt of options under the Company's option plans and the exercise of that option is not subject to these restrictions; however, the sale of any such shares is subject to this six-month rule. Additionally, Section 16 Individuals may never make a short sale of the Company's securities.

<u>Appendix A</u>

Guidelines for Rule 10b5-1 Plans

These guidelines apply to the entry of Rule 10b5-1 plans by directors and officers of Telos Corporation, a Maryland corporation, and its subsidiaries (collectively, the “Company” or “Telos”). Rule 10b5-1 under the Securities Exchange Act of 1934 (the “1934 Act”) provides a defense from insider trading liability under Rule 10b5. In order to be eligible to rely on this defense, a person must enter into a Rule 10b5-1 plan for transactions in Telos securities (as defined in the Telos Corporation Insider Trading Policy (the “Policy”)) that meets certain conditions specified in the Rule (a “Rule 10b5-1 Plan”). If the plan meets the requirements of Rule 10b5-1, transactions in Telos securities may occur without regard to certain insider trading restrictions. In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of Material Non-Public Information (as defined in the Policy). Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party.

A Rule 10b5-1 plan must include a cooling-off period before trading can commence that, for directors or officers, ends on the later of 90 days after the adoption of the Rule 10b5-1 plan or two business days following the disclosure of the financial results in a periodic report filed with the Securities and Exchange Commission (“SEC”) for the fiscal quarter in which the plan was adopted (but in any event, the required cooling-off period is subject to a maximum of 120 days after adoption of the plan), and for persons other than directors or officers, 30 days following the adoption or modification of a Rule 10b5-1 plan. A person may not enter into overlapping Rule 10b5-1 plans (subject to certain exceptions) and may only enter into one single-trade Rule 10b5-1 plan during any 12-month period (subject to certain exceptions). Directors and officers must include a representation in their Rule 10b5-1 plan certifying that: (i) they are not aware of any Material Non-Public Information; and (ii) they are adopting the plan in good faith and not as part of a plan or scheme to evade the prohibitions in Rule 10b5. All persons entering into a Rule 10b5-1 plan must act in good faith with respect to that plan.

As specified in the Policy, a Rule 10b5-1 Plan must be approved by the Compliance Officer and meet the requirements of Rule 10b5-1 and these guidelines. Any Rule 10b5-1 Plan must be submitted for approval five days prior to the entry into the Rule 10b5-1 Plan. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan will be required.

The following guidelines apply to all Rule 10b5-1 Plans:

- You may not enter into, modify or terminate a Rule 10b5-1 Plan during a Quiet Period (as defined in the Policy), an event-specific trading restriction period or otherwise while you are aware of Material Non-Public Information.
- All Rule 10b5-1 Plans must have a duration of at least six months and no more than two years.
- For officers and directors, no transaction may take place under a Rule 10b5-1 Plan until the later of (a) 90 days after adoption or modification (as specified in Rule 10b5-1) of the Rule 10b5-1 Plan or (b) two business days following the disclosure of the Company’s financial results in a Form 10-Q or Form 10-K for the fiscal quarter (the Company’s fourth fiscal quarter in the case of a Form 10-K) in which the Rule 10b5-1 Plan was adopted or modified (as specified in Rule 10b5-1). In any event, the cooling-off period is subject to a maximum of 120 days after adoption of the plan.

- For persons other than officers and directors, no transaction may take place under a Rule 10b5-1 Plan until 30 days following the adoption or modification (as specified in Rule 10b5-1) of a Rule 10b5-1 Plan.
- Subject to certain limited exceptions specified in Rule 10b5-1, you may not enter into more than one Rule 10b5-1 Plan at the same time.
- Subject to certain limited exceptions specified in Rule 10b5-1, you are limited to only one Rule 10b5-1 designed to effect an open market purchase or sale of the total amount of securities subject to the Rule 10b5-1 Plan as a single transaction in any 12-month period.
- You must act in good faith with respect to a Rule 10b5-1 Plan. A Rule 10b5-1 Plan cannot be entered into as part of a plan or scheme to evade the prohibition of Rule 10b5. Therefore, although modifications to an existing Rule 10b5-1 Plan are not prohibited, a Rule 10b5-1 Plan should be adopted with the intention that it will not be amended or terminated prior to its expiration.
- Officer and directors must include a representation to the Company at the time of adoption or modification of a Rule 10b5-1 Plan that (i) the person is not aware of Material Non-Public Information and (ii) the person is adopting the plan in good faith and not as part of plan or scheme to evade the prohibitions of Rule 10b5.

The Company and the Company's officers and directors must make certain disclosures in SEC filings concerning Rule 10b5-1 Plans. Officers and directors of the Company must undertake to provide any information requested by the Company regarding Rule 10b5-1 Plans for the purpose of providing the required disclosures or any other disclosures that the Company deems to be appropriate under the circumstances.

Each director, officer and other Section 16 Individual (as defined in the Policy) understands that the approval or adoption of a pre-planned selling program in no way reduces or eliminates such person's obligations under Section 16 of the 1934 Act, including such person's disclosure and short-swing trading liabilities thereunder. If any questions arise, such person should consult with their own counsel in implementing a Rule 10b5-1 Plan.

Exhibit 31.1

CERTIFICATION

I, John B. Wood, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Telos Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2026

/s/ John B. Wood

John B. Wood
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Mark Bendza, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Telos Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2026

/s/ Mark Bendza
Mark Bendza
Chief Financial Officer (Principal Financial Officer)

Exhibit 32

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

In connection with the Quarterly Report of Telos Corporation (the "Company") on Form 10-Q for the period ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, John B. Wood and Mark Bendza, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2026

/s/ John B. Wood
John B. Wood
Chief Executive Officer (Principal Executive Officer)

Date: August 10, 2026

/s/ Mark Bendza
Mark Bendza
Chief Financial Officer (Principal Financial Officer)