

SONO-TEK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
 (Unaudited)

	Three Months Ended May 31,	
	<u>2018</u>	<u>2017</u>
Net Sales	\$2,700,860	\$2,500,734
Cost of Goods Sold	1,429,663	1,320,217
Gross Profit	<u>1,271,197</u>	<u>1,180,517</u>
Operating Expenses		
Research and product development costs	333,866	309,251
Marketing and selling expenses	629,788	587,798
General and administrative costs	275,392	262,389
Total Operating Expenses	<u>1,239,046</u>	<u>1,159,438</u>
Operating Income	32,151	21,079
Interest Expense	(10,614)	(12,213)
Interest and Dividend Income	34,606	17,143
Realized gain on sale of marketable securities	29,392	-
Net unrealized loss on marketable securities	(49,061)	-
Other (expense) income	2,520	(1,658)
Income Before Income Taxes	38,994	24,351
Income Tax Expense	17,564	8,482
Net Income	<u>\$21,430</u>	<u>\$15,869</u>
Other Comprehensive income		
Net unrealized gain on marketable securities	-	27,035
Comprehensive Income	<u>-</u>	<u>\$42,904</u>
Basic Earnings Per Share	<u>\$0.00</u>	<u>\$0.00</u>
Diluted Earnings Per Share	<u>\$0.00</u>	<u>\$0.00</u>
Weighted Average Shares - Basic	<u>14,987,613</u>	<u>14,961,076</u>
Weighted Average Shares - Diluted	<u>15,088,512</u>	<u>15,057,495</u>

SONO-TEK CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>May 31, 2018</u> <u>(Unaudited)</u>	<u>February 28,</u> <u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,541,752	\$ 2,016,464
Marketable securities	4,316,746	4,405,900
Accounts receivable (less allowance of \$46,000)	973,282	774,778
Inventories, net	1,425,455	1,354,083
Prepaid expenses and other current assets	134,633	139,406
Total current assets	<u>8,391,868</u>	<u>8,690,631</u>
Land	250,000	250,000
Buildings, net	1,788,921	1,807,339
Equipment, furnishings and building improvements, net	543,345	498,401
Intangible assets, net	130,791	136,576
Deferred tax asset	396,387	396,387
TOTAL ASSETS	<u>\$ 11,501,312</u>	<u>\$ 11,779,334</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 582,982	\$ 652,863
Accrued expenses	672,940	893,192
Customer deposits	346,993	344,098
Current portion of long term debt	157,726	156,119
Income taxes payable	102,185	84,621
Total current liabilities	<u>1,862,826</u>	<u>2,130,893</u>
Deferred tax liability	385,384	385,384
Long term debt, less current maturities	830,247	870,532
Total liabilities	<u>3,078,457</u>	<u>3,386,809</u>
Stockholders' Equity		
Common stock, \$.01 par value; 25,000,000 shares authorized, 14,989,003 and 14,986,367 shares issued and outstanding, respectively	149,890	149,864
Additional paid-in capital	8,910,045	8,901,171
Accumulated deficit	(637,080)	(760,115)
Accumulated other comprehensive income	-	101,605
Total stockholders' equity	<u>8,422,855</u>	<u>8,392,525</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 11,501,312</u>	<u>\$ 11,779,334</u>

SONO-TEK CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Three Months Ended May 31,	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 21,430	\$ 15,869
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	80,893	101,808
Stock based compensation expense	8,900	10,469
Inventory reserve	18,000	27,000
Unrealized loss on marketable securities	49,061	-
Decrease (Increase) in:		
Accounts receivable	(198,504)	(136,070)
Inventories	(89,372)	63
Prepaid expenses and other current assets	4,773	36,720
(Decrease) Increase in:		
Accounts payable and accrued expenses	(290,133)	21,486
Customer Deposits	2,895	268,176
Income taxes payable	17,564	12,563
Net Cash (Used In) Provided by Operating Activities	<u>(374,493)</u>	<u>358,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment and furnishings	(101,634)	(39,704)
Sale (Purchase) of marketable securities	40,093	(537,265)
Net Cash (Used In) Investing Activities	<u>(61,541)</u>	<u>(576,969)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable and loans	(38,678)	(37,135)
Net Cash (Used In) Financing Activities	<u>(38,678)</u>	<u>(37,135)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(474,712)	(256,020)
CASH AND CASH EQUIVALENTS		
Beginning of period	2,016,464	2,557,223
End of period	<u>\$ 1,541,752</u>	<u>\$ 2,301,203</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	\$10,614	\$12,213
Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

SONO-TEK CORPORATION
ADDITIONAL INFORMATION – MARKET AND PRODUCT SALES
 (Unaudited)

Market Sales:

	Three Months Ended May 31,				Change	
	2018	<i>% of total</i>	2017	<i>% of total</i>	\$	%
Electronics/Microelectronics	\$ 1,328,000	49%	\$ 884,000	35%	444,000	50%
Medical	889,000	33%	608,000	24%	281,000	46%
Alternative Energy	173,000	6%	507,000	20%	(334,000)	(66%)
Emerging R&D and Other	192,000	7%	180,000	7%	12,000	7%
Industrial	119,000	4%	322,000	13%	(203,000)	(63%)
TOTAL	\$2,701,000		\$2,501,000		\$200,000	8%

Product Sales:

	Three Months Ended May 31,				Change	
	2018	<i>% of total</i>	2017	<i>% of total</i>	\$	%
Fluxing Systems	\$ 734,000	27%	\$ 600,000	24%	134,000	22%
Integrated Coating Systems	337,000	12%	583,000	23%	(246,000)	(42%)
Multi-Axis Coating Systems	857,000	32%	755,000	30%	102,000	14%
OEM Systems	607,000	22%	432,000	17%	175,000	40%
Other	166,000	6%	131,000	5%	35,000	27%
TOTAL	\$2,701,000		\$2,501,000		\$200,000	8%