

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

	Six Months Ended August 31,		Three Months Ended August 31,	
	2018	2017	2018	2017
Net Sales	\$ 5,518,591	\$ 5,154,430	\$ 2,817,731	\$ 2,653,696
Cost of Goods Sold	2,902,949	2,645,405	1,473,286	1,325,188
Gross Profit	<u>2,615,642</u>	<u>2,509,025</u>	<u>1,344,445</u>	<u>1,328,508</u>
Operating Expenses				
Research and product development costs	653,764	617,173	319,898	307,923
Marketing and selling expenses	1,326,701	1,215,471	696,913	627,674
General and administrative costs	589,200	564,980	313,808	302,590
Total Operating Expenses	<u>2,569,665</u>	<u>2,397,624</u>	<u>1,330,619</u>	<u>1,238,187</u>
Operating Income (Loss)	45,977	111,401	13,826	90,321
Interest Expense	(20,817)	(24,031)	(10,203)	(11,818)
Interest and Dividend Income	71,522	36,211	36,916	19,068
Realized gain (loss) on sale of marketable securities	119,075	(8,584)	89,683	(8,584)
Net unrealized loss on marketable securities	(129,657)	-	(80,596)	-
Other income	<u>19,515</u>	<u>7,592</u>	<u>16,995</u>	<u>9,251</u>
Income Before Income Taxes	105,615	122,589	66,621	98,238
Income Tax Expense	<u>25,061</u>	<u>52,075</u>	<u>7,497</u>	<u>43,593</u>
Net Income	80,554	70,514	59,124	54,645
Other Comprehensive Income				
Net unrealized gain on marketable securities	<u>-</u>	<u>59,638</u>	<u>-</u>	<u>32,603</u>
Comprehensive Income	<u>\$ 80,554</u>	<u>\$ 130,152</u>	<u>\$ 59,124</u>	<u>\$ 87,248</u>
Basic Earnings Per Share	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Diluted Earnings Per Share	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted Average Shares - Basic	<u>15,036,644</u>	<u>14,961,137</u>	<u>15,085,660</u>	<u>14,961,197</u>
Weighted Average Shares - Diluted	<u>15,169,210</u>	<u>15,060,026</u>	<u>15,224,221</u>	<u>15,064,631</u>

SONO-TEK CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2018 (Unaudited)	February 28, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,655,405	\$ 2,016,464
Marketable securities	4,091,994	4,405,900
Accounts receivable (less allowance of \$46,000 at August 31 and February 28)	1,293,477	774,778
Inventories, net	1,650,787	1,354,083
Prepaid expenses and other current assets	114,725	139,406
Total current assets	<u>8,806,388</u>	<u>8,690,631</u>
Land	250,000	250,000
Buildings, net	1,770,394	1,807,339
Equipment, furnishings and building improvements, net	531,241	498,401
Intangible assets, net	126,673	136,576
Deferred tax asset	396,387	396,387
TOTAL ASSETS	<u>\$ 11,881,083</u>	<u>\$ 11,779,334</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 871,181	\$ 652,863
Accrued expenses	746,721	893,192
Customer deposits	430,828	344,098
Current maturities of long term debt	159,404	156,119
Income taxes payable	8,256	84,621
Total current liabilities	<u>2,216,390</u>	<u>2,130,893</u>
Deferred tax liability	385,384	385,384
Long term debt, less current maturities	789,836	870,532
Total liabilities	<u>3,391,610</u>	<u>3,386,809</u>
Commitments and Contingencies	—	—
Stockholders' Equity		
Common stock, \$.01 par value; 25,000,000 shares authorized, 15,155,560 and 14,986,367 shares issued and outstanding, at August 31 and February 28, respectively	151,556	149,864
Additional paid-in capital	8,915,873	8,901,171
Accumulated deficit	(577,956)	(760,115)
Accumulated other comprehensive income	-	101,605
Total stockholders' equity	<u>8,489,473</u>	<u>8,392,525</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 11,881,083</u>	<u>\$ 11,779,334</u>

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

	Six Months Ended	
	August 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 80,554	\$ 70,514
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	172,130	200,776
Stock based compensation expense	16,394	21,488
Inventory reserve	36,000	50,601
Unrealized loss on marketable securities	129,657	-
Decrease (Increase) in:		
Accounts receivable	(518,699)	213,868
Inventories	(332,704)	(275,643)
Prepaid expenses and other current assets	24,682	28,857
(Decrease) Increase in:		
Accounts payable and accrued expenses	71,845	220,863
Customer Deposits	88,398	533,485
Income taxes payable	(76,365)	(2,813)
Net Cash (Used In) Provided by Operating Activities	(308,108)	1,061,996
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment and furnishings	(159,790)	(42,917)
Sale (purchase) of marketable securities	184,249	(1,141,754)
Net Cash Provided by (Used in) Investing Activities	24,459	(1,184,671)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long term debt	(77,410)	(74,259)
Net Cash Used In Financing Activities	(77,410)	(74,259)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(361,059)	(196,934)
CASH AND CASH EQUIVALENTS		
Beginning of period	2,016,464	2,557,223
End of period	\$ 1,655,405	\$ 2,360,289
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	\$ 20,817	\$ 24,031
Income Taxes Paid	\$ 101,426	\$ 58,969

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

Market Sales:

	Three Months Ended August 31,				Change	
	2018	% of total	2017	% of total	\$	%
Electronics/Microelectronics	\$ 687,000	24%	\$ 737,000	28%	(50,000)	(7%)
Medical	1,170,000	42%	825,000	31%	345,000	42%
Alternative Energy	325,000	12%	306,000	12%	19,000	6%
Emerging R&D and Other	30,000	1%	59,000	2%	(29,000)	(49%)
Industrial	606,000	21%	727,000	27%	(121,000)	(17%)
TOTAL	\$ 2,818,000		\$ 2,654,000		\$ 164,000	6%

	Six Months Ended August 31,				Change	
	2018	% of total	2017	% of total	\$	%
Electronics/Microelectronics	\$ 1,694,000	31%	\$ 1,713,000	33%	(19,000)	(1%)
Medical	2,051,000	37%	1,396,000	27%	655,000	47%
Alternative Energy	640,000	11%	630,000	12%	10,000	2%
Emerging R&D and Other	101,000	2%	184,000	4%	(83,000)	(45%)
Industrial	1,033,000	19%	1,231,000	24%	(198,000)	(16%)
TOTAL	\$ 5,519,000		\$ 5,154,000		\$ 365,000	7%

Product Sales:

	Three Months Ended August 31,				Change	
	2018	% of total	2017	% of total	\$	%
Fluxing Systems	\$ 233,000	8%	\$ 193,000	7%	40,000	21%
Integrated Coating Systems	283,000	10%	668,000	25%	(385,000)	(58%)
Multi-Axis Coating Systems	1,270,000	45%	1,004,000	38%	266,000	26%
OEM Systems	520,000	19%	301,000	11%	219,000	73%
Other	512,000	18%	488,000	19%	24,000	5%
TOTAL	\$ 2,818,000		\$ 2,654,000		\$ 164,000	6%

	Six Months Ended August 31,				Change	
	2018	% of total	2017	% of total	\$	%
Fluxing Systems	\$ 573,000	10%	\$ 485,000	10%	88,000	18%
Integrated Coating Systems	631,000	11%	1,250,000	24%	(619,000)	(50%)
Multi-Axis Coating Systems	2,132,000	39%	1,765,000	34%	367,000	21%
OEM Systems	978,000	18%	611,000	12%	367,000	60%
Other	1,205,000	22%	1,043,000	20%	162,000	16%
TOTAL	\$ 5,519,000		\$ 5,154,000		\$ 365,000	7%