

SONO-TEK CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	May 31, 2020	February 29,
	(Unaudited)	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,381,947	\$ 3,659,551
Marketable securities	3,908,454	4,219,240
Accounts receivable (less allowance of \$71,000)	1,341,617	929,701
Inventories, net	2,512,222	2,381,891
Prepaid expenses and other current assets	146,588	153,698
Total current assets	<u>12,290,828</u>	<u>11,344,081</u>
Land	250,000	250,000
Buildings, net	1,634,226	1,654,061
Equipment, furnishings and building improvements, net	1,279,083	1,212,578
Intangible assets, net	102,145	106,291
Deferred tax asset	176,314	176,314
TOTAL ASSETS	<u>\$ 15,732,596</u>	<u>\$ 14,743,325</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 1,007,517	\$ 668,721
Accrued expenses	1,409,167	1,613,409
Customer deposits	1,325,694	1,648,690
Current portion of long-term debt	556,212	169,716
Income taxes payable	112,548	70,621
Total current liabilities	<u>4,411,138</u>	<u>4,171,157</u>
Deferred tax liability	251,761	251,761
Long term debt, less current maturities	1,111,265	538,000
Total liabilities	<u>5,774,164</u>	<u>4,960,918</u>
Stockholders' Equity		
Common stock, \$.01 par value; 25,000,000 shares authorized, 15,422,985 and 15,348,180 shares issued and outstanding, respectively	154,230	153,482
Additional paid-in capital	9,025,755	9,018,406
Accumulated earnings	778,447	610,519
Total stockholders' equity	<u>9,958,432</u>	<u>9,782,407</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 15,732,596</u>	<u>\$ 14,743,325</u>

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended May 31,	
	2020	2019
Net Sales	\$ 3,428,544	\$ 2,822,428
Cost of Goods Sold	1,867,811	1,517,493
Gross Profit	<u>1,560,733</u>	<u>1,304,935</u>
Operating Expenses		
Research and product development costs	411,424	354,173
Marketing and selling expenses	706,717	677,412
General and administrative costs	258,402	268,813
Total Operating Expenses	<u>1,376,543</u>	<u>1,300,398</u>
Operating Income	184,190	4,537
Interest Expense	(8,417)	(8,947)
Interest and Dividend Income	22,646	31,171
Other income	<u>11,435</u>	<u>4,755</u>
Income Before Income Taxes	209,854	31,516
Income Tax Expense	<u>41,926</u>	<u>6,303</u>
Net Income	<u>\$ 167,928</u>	<u>\$ 25,213</u>
Basic Earnings Per Share	<u>\$ 0.01</u>	<u>\$ 0.00</u>
Diluted Earnings Per Share	<u>\$ 0.01</u>	<u>\$ 0.00</u>
Weighted Average Shares - Basic	<u>15,397,779</u>	<u>15,268,071</u>
Weighted Average Shares - Diluted	<u>15,436,758</u>	<u>15,357,295</u>

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

	Three Months Ended May 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 167,928	\$ 25,213
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	109,878	89,207
Stock based compensation expense	8,097	11,310
Inventory reserve	18,000	14,000
Decrease (Increase) in:		
Accounts receivable	(411,916)	65,538
Inventories	(148,331)	(734,704)
Prepaid expenses and other current assets	7,110	289,992
(Decrease) Increase in:		
Accounts payable and accrued expenses	134,554	410,079
Customer Deposits	(322,996)	184,748
Income taxes payable	41,927	6,303
Net Cash (Used In) Provided By Operating Activities	<u>(395,749)</u>	<u>361,686</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment, furnishings and leasehold improvements	(152,402)	(129,159)
Sale (Purchase) of marketable securities	310,786	(1,413,481)
Net Cash Provided By (Used In) Investing Activities	<u>158,384</u>	<u>(1,542,640)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable - bank	1,001,640	—
Repayment of long-term debt	(41,879)	(40,283)
Net Cash Provided By (Used In) Financing Activities	<u>959,761</u>	<u>(40,283)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	722,396	(1,221,237)
CASH AND CASH EQUIVALENTS		
Beginning of period	3,659,551	3,144,123
End of period	<u>\$ 4,381,947</u>	<u>\$ 1,922,886</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	\$ 7,210	\$ 8,947
Taxes Paid	<u>\$ —</u>	<u>\$ —</u>

See notes to unaudited condensed consolidated financial statements.

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

Product Sales:

	Three Months Ended May 31,				Change	
	2020	% of total	2019	% of total	\$	%
Fluxing Systems	\$ 344,000	10%	\$ 391,000	14%	(47,000)	(12%)
Integrated Coating Systems	1,176,000	34%	396,000	14%	780,000	197%
Multi-Axis Coating Systems	913,000	27%	1,073,000	38%	(160,000)	(15%)
OEM Systems	422,000	12%	319,000	11%	103,000	32%
Other	574,000	17%	643,000	23%	(69,000)	(11%)
TOTAL	\$ 3,429,000		\$ 2,822,000		\$ 607,000	22%

Market Sales:

	Three Months Ended May 31,				Change	
	2020	% of total	2019	% of total	\$	%
Electronics/Microelectronics	\$ 2,240,000	65%	\$ 1,538,000	55%	702,000	46%
Medical	692,000	20%	543,000	19%	149,000	27%
Alternative Energy	395,000	12%	386,000	14%	9,000	2%
Emerging R&D and Other	37,000	1%	285,000	10%	(248,000)	(87%)
Industrial	65,000	2%	70,000	2%	(5,000)	(7%)
TOTAL	\$ 3,429,000		\$ 2,822,000		\$ 607,000	22%