

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**As of December 31,**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 21,677,186	\$ 13,073,331
Accounts receivable, net	607,522	3,091,251
Costs and estimated earnings in excess of billings on contracts in progress	2,596,518	4,635,018
Inventories, net	3,286,539	2,986,430
Restricted cash	--	200,000
Deferred income taxes	428,355	398,009
Other current assets	<u>235,537</u>	<u>167,056</u>
Total Current Assets	28,831,657	24,551,095
 Property, plant and equipment, net	 14,344,924	 14,793,923
Construction in progress	94,058	33,306
 Deferred income taxes	 2,011,979	 1,606,830
Other assets	68,450	86,215
Intangible assets, net	<u>253,624</u>	<u>60,335</u>
Total Assets	\$ <u>45,604,692</u>	\$ <u>41,131,704</u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 743,132	\$ 308,004
Accrued expenses	1,942,818	3,445,880
Current maturities of long-term debt	300,000	580,000
Billings in excess of costs and estimated earnings on contracts in progress	5,262,339	---
Deferred revenue	77,633	307,683
Total Current Liabilities	8,325,922	4,641,567
 Long-term debt, net of current portion	 <u>2,965,508</u>	 <u>3,265,508</u>
Total Liabilities	11,291,430	7,907,075
 Commitments and Contingencies (Note 16)	 -	 -
 Stockholders' Equity:		
Common stock - \$0.01 par value – 20,000,000 shares authorized at December 31, 2016 and 10,000,000 authorized at December 31, 2015: issued and outstanding 6,346,590 at December 31, 2016 and 6,198,135 shares at December 31, 2015		
	63,466	61,981
Additional paid-in capital	24,131,474	22,895,202
Retained earnings	<u>10,118,322</u>	<u>10,267,446</u>
Total Stockholders' Equity	34,313,262	33,224,629
 Total Liabilities and Stockholders' Equity	 \$ <u>45,604,692</u>	 \$ <u>41,131,704</u>

The accompanying notes are an integral part of the consolidated financial statements

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
**Years ended December 31,**

	<u>2016</u>		<u>2015</u>
Revenue	\$ 20,955,347	\$	38,965,387
Cost of revenue	<u>13,850,824</u>		<u>23,819,864</u>
Gross profit	<u>7,104,523</u>		<u>15,145,523</u>
Operating expenses			
Research and development	433,844		605,264
Selling and shipping	1,097,661		1,208,174
General and administrative	6,926,487		7,745,092
Litigation settlement	--		995,000
Gain on settlement	<u>(628,905)</u>		<u>--</u>
Total operating expenses	7,829,087		10,553,530
Operating (loss)/income	(724,564)		4,591,993
Other income (expense):			
Interest income	28,233		24,540
Interest expense	(79,861)		(92,101)
Other income/(expense)	<u>123,006</u>		<u>759</u>
Total other (expense)/income net	71,378		(66,802)
(Loss)/income before income tax			
(benefit)/expense	(653,186)		4,525,191
Income tax (benefit)/expense	<u>(504,061)</u>		<u>1,320,195</u>
Net (loss)/income	\$ <u>(149,124)</u>	\$	<u>3,204,996</u>
Basic (loss)/income per common share	\$ (0.02)	\$	0.52
Diluted (loss)/income per common share	\$ (0.02)	\$	0.51
Weighted average common shares			
Outstanding-basic	6,285,815		6,175,254
Weighted average common shares			
Outstanding-diluted	6,285,815		6,283,307

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**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**

	<u>Common Stock</u> <u>Shares</u>	<u>Amount</u>	<u>Additional</u> <u>Paid-In</u> <u>Capital</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u> <u>Stockholders'</u> <u>Equity</u>
Balance – January 1, 2015	6,162,027	\$ 61,620	\$22,144,805	\$7,062,450	\$29,268,875
Exercise of stock options	---	---	---		---
Stock-based compensation	36,108	361	750,397		750,758
Net income				<u>3,204,996</u>	<u>3,204,996</u>
Balance – December 31, 2015	6,198,135	61,981	22,895,202	10,267,446	33,224,629
Exercise of stock options	100,000	1,000	461,000		462,000
Stock-based compensation	48,455	485	775,272		775,757
Net (loss)				<u>(149,124)</u>	<u>(149,124)</u>
Balance – December 31, 2016	<u>6,346,590</u>	<u>\$ 63,466</u>	<u>\$ 24,131,474</u>	<u>\$10,118,332</u>	<u>\$34,313,262</u>

The accompanying notes are an integral part of the consolidated financial statements

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31,**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net (loss)/income	\$ (149,124)	\$ 3,204,996
Adjustments to reconcile net (loss)/income to net cash used in operating activities		
Stock-based compensation	775,757	750,758
Depreciation and amortization	813,657	826,529
Deferred income tax benefit	(435,495)	1,633,254
Provision for doubtful accounts	(16,395)	(30,826)
Increase/(decrease) in operating assets		
Accounts receivable	2,500,124	3,402,625
Cost in excess of billings on contracts in progress	2,038,500	(2,136,356)
Inventories, net	(290,109)	1,855,628
Other current assets	(68,473)	27,700
Increase/(decrease) in operating liabilities		
Accounts payable	435,129	(1,374,835)
Accrued expenses	(1,503,062)	148,856
Current maturities of long-term debt	(280,000)	(140,000)
Billings in excess of costs and estimated earnings on contracts in progress	5,262,339	(1,328,508)
Accrued litigation settlement	---	(4,925,000)
Deferred revenue	<u>(230,050)</u>	<u>(181,008)</u>
Total adjustments	<u>9,001,922</u>	<u>(1,471,183)</u>
Net cash provided by operating activities	<u>8,852,798</u>	<u>1,733,813</u>
Cash flows from investing activities:		
Restricted cash	200,000	200,000
Capital expenditures	(112,493)	(248,305)
Purchase of assets Tantaline A/S	(500,000)	---
Deposits	<u>1,550</u>	<u>960</u>
Net cash (used in) investing activities	<u>(410,943)</u>	<u>(47,345)</u>
Cash flows from financing activities		
Net proceeds from stock options exercised	462,000	---
Payments of long-term debt	<u>(300,000)</u>	<u>(580,000)</u>
Net cash provided by/(used in) financing activities	<u>162,000</u>	<u>(580,000)</u>
Net increase in cash and cash equivalents	8,603,855	1,106,468
Cash and cash equivalents at beginning of year	<u>13,073,331</u>	<u>11,966,863</u>
Cash and cash equivalents at end of year	\$ <u>21,677,186</u>	\$ <u>13,073,331</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 101,352	\$ 427,078
Interest paid	\$ 79,861	\$ 92,101

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