THE DEWEY ELECTRONICS CORPORATION
FY 2018 FINANCIALS
QUARTER ENDING MARCH 31, 2018

BALANCE SHEET	MARCH 31, 2018 (Unaudited)	JUNE 30, 2017 (Audited)
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 302,319	$ 465,170
Accounts receivable	408,120	203,078
Inventories	2,007,706	1,765,487
Prepaid expenses and other current assets	66,165	64,189
TOTAL CURRENT ASSETS	2,784,310	2,497,924
PLANT, PROPERTY AND EQUIPMENT:		
Land and improvements	651,015	651,015
Building and improvements	1,962,815	1,962,815
Machinery and equipment	3,364,917	3,364,917
Furniture and fixtures	268,700	268,700
	6,247,447	6,247,447
Less: accumulated depreciation	(5,455,315)	(5,426,949)
	792,132	820,498
DEFERRED COSTS	65,095	65,095
TOTAL ASSETS	$3,641,537	$3,383,517
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Note payable – current portion	$500,000	$ 500,000
Trade accounts payable	84,402	23,192
Accrued expenses and other liabilities	184,962	186,813
Accrued compensation and benefits payable	151,588	119,264
Accrued pension costs	407,540	410,565
TOTAL CURRENT LIABILITIES	1,328,493	1,239,834
LONG-TERM PENSION LIABILITY	627,677	671,184
TOTAL LIABILITIES	1,956,170	1,911,018
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $1.00; authorized 250,000 shares, issued and outstanding-none	--	--
Common stock, par value $.01; authorized 3,000,000 shares; 1,693,397 shares issued and 1,366,731 shares outstanding at March 31, 2018 and June 30, 2017	16,934	16,934
Additional paid-in capital	2,883,970	2,883,970
Retained earnings	(266,504)	(435,865)
Accumulated other comprehensive loss	(468,915)	(512,421)
	2,165,486	1,952,618
Less: Treasury stock of 326,666 shares at March 31, 2018 and June 30, 2017, at cost	(480,119)	(480,119)
TOTAL STOCKHOLDERS' EQUITY	1,685,367	1,472,499
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,641,537	$3,383,517

THE DEWEY ELECTRONICS CORPORATION
STATEMENTS OF OPERATIONS

	THREE-MONTHS ENDED MARCH 31, 2018 (Unaudited)	THREE-MONTHS ENDED MARCH 31, 2017 (Audited)	NINE-MONTHS ENDED MARCH 31, 2018 (Unaudited)	NINE-MONTHS ENDED MARCH 31, 2017 (Audited)
Revenues	$1,271,028	$776,543	$3,185,512	$2,200,968
Cost of revenues	703,485	740,706	2,250,221	2,028,746
Gross profit	567,543	35,837	935,291	172,222
Selling, general and administrative	284,586	326,610	769,573	1,039,593
Operating Income / (Loss)	282,957	(290,773)	165,718	(867,371)
Interest expense	(4,705)	(5,312)	(15,5861)	(8,5036)
Other Income / (Expense)– net	6,746	3,167	19,504	15,797
Income / (Loss) before income taxes	284,998	(292,918)	169,361	(860,080)
Provision for income tax	--	--	--	--
Net Income/ (Loss)	$ 284,998	$(292,918)	$169,361	$(860,080)
Net Income / (Loss) per common share-Basic	$ 0.21	$ (0.21)	$ 0.12	$ (0.63)
Net Income / (Loss) per common share-Diluted	$ 0.21	$ (0.21)	$ 0.12	$ (0.63)
Weighted average number of shares outstanding:				
Basic	1,366,731	1,366,731	1,366,731	1,366,731
Diluted	1,367,645	1,366,731	1,367,645	1,366,731

CONDENSED STATEMENTS OF COMPREHENSIVE LOSS

	THREE-MONTHS ENDED MARCH 31, 2018 (Unaudited)	THREE-MONTHS ENDED MARCH 31, 2017 (Audited)	NINE-MONTHS ENDED MARCH 31, 2018 (Unaudited)	NINE-MONTHS ENDED MARCH 31, 2017 (Audited)
Other comprehensive Income / (Loss) – net of tax				
Net Income / (Loss)	$ 284,998	$(292,918)	$169,361	$(860,080)
Amortization of actuarial losses	15,103	30,365	43,507	91,095
Comprehensive Income / (Loss)	$ 300,101	$(262,553)	$212,868	$(768,985)

THE DEWEY ELECTRONICS CORPORATION
STATEMENTS OF CASH FLOWS

	NINE-MONTHS ENDED MARCH 31, 2018 (Unaudited)	2017 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$169,360	$(860,080)
Adjustments to reconcile net loss to		
Net cash (used in)/provided by operating activities:		
Depreciation	28,366	28,366
(Increase)/Decrease in accounts receivable	(205,041)	285,974
(Increase) in inventories	(242,220)	(328,686)
Provision for inventory reserve	--	90,882
Decrease in prepaid expenses and other current assets	(1,976)	(4,813)
Increase/(Decrease) in trade accounts payable	61,210	7,918
Increase/(Decrease) in accrued expenses and other liabilities	(1,850)	28,778
Increase/(Decrease) in accrued compensation and benefits payable	32,324	(24,200)
Increase in accrued pension costs	(3,025)	85,517
Total adjustments	(332,212))	169,736
NET CASH USED IN BY OPERATING ACTIVITIES	(162,851)	(690,344)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for plant, property and equipment	--	(12,827)
NET CASH USED IN INVESTING ACTIVITIES	--	(12,827)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	--	500,000
Proceeds from exercise of stock options	--	8,037
NET CASH PROVIDED BY FINANCING ACTIVITIES	--	508,037
NET DECREASE IN CASH AND CASH EQUIVALENTS	(162,851)	(195,134)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	465,170	539,742
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 302,319	344,608
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 15,861	$ 8,506

THE DEWEY ELECTRONICS CORPORATION
NARRATIVE TO FINANCIAL STATEMENTS

1. Inventories

Inventories consist of:

	March 31, 2018 (Unaudited)	June 30, 2017 (Audited)
Finished Goods	$ 319,734	$324,150
Work In Progress	975,874	757,442
Raw Materials	712,099	683,895
Total	$2,007,707	$1,765,487

2. Taxes on Income

The Company has provided a valuation allowance against its net deferred tax assets as it believes that it is more likely than not that it will not realize these tax attributes. The Company has approximately $2,207,000 and $1,292,500 of federal and state net deferred tax assets, respectively, primarily arising from net operating loss carry-forwards, expiring beginning in 2027. In the three month period ended March 31, 2018 these federal and state net deferred tax assets decreased by approximately $97,000 and $17,000 respectively, as a result of net income for the period.

3. Stock Option Plan

On September 22, 2011, the Board of Directors of the Company adopted the Company's 2011 Stock Option Plan, which was approved by the shareholders of the Company on December 8, 2011. Under this plan options to purchase a maximum of 133,000 shares of common stock may be granted to any employee of the Company, including officers. Such options may be either incentive stock options or non-qualified options and must be granted with an exercise price no less than the fair market value of the stock on the date of the grant. No stock options have been granted under this plan.

On December 2, 1998, the Company adopted its Stock Option Plan of 1998 which was amended and restated effective December 5, 2001, pursuant to which options to purchase a maximum of 85,000 shares of common stock may be granted to executives and key employees. Incentive stock options have been granted under this plan with an exercise price no less than fair market value of the stock on the date of grant. Outstanding options generally are exercisable for ten years from the date of grant. Outstanding options have expiration dates ranging from December 2, 2018 to September 21, 2021. No additional options may be granted under this plan.

There were no stock options granted in the first nine months of fiscal 2018 (period ended March 31, 2018) or in the first nine months of fiscal 2017 (period ended March 31, 2017). The Company recorded no stock option compensation expense for either of the nine month periods ended March 31, 2018 or March 31, 2017.

For the full fiscal year ending June 30, 2018, the Company does not expect any stock option compensation expense based on stock options already granted and assuming no further option grants during the remainder of the fiscal year. However, our assessment of the compensation expense will be affected by the number of stock options actually granted (if any) during the remainder of the year as well as the number of outstanding options that are forfeited.

Stock option transactions for the Company's employee stock option plans for nine months ended March 31, 2018 are as follows:

	March 31, 2018	
	Nine Months	
	Shares	Weighted Average Exercise Price
	14,500	1.98
Beginning balance		
Granted		
Exercised		
Cancelled or expired		
Ending balance		
Options exercisable at end of period	14,500	1.98

4. Pension Plan

The Company has a non-contributory defined benefit retirement plan covering substantially all its employees. The impact of the plan on operations is as follows:

	THREE-MONTHS ENDED MARCH 31,	
	2018 (Unaudited)	2017 (Audited)
Service cost-benefits earned during the period	$ 0	$ 13,894
Interest cost on projected benefit obligation	28,480	29,745
Expected return on plan assets	(27,505)	(26,623)
Amortization of actuarial loss	15,103	30,365
Net periodic pension cost	$ 16,078	$ 47,381

	NINE-MONTHS ENDED MARCH 31,	
	2018 (Unaudited)	2017 (Audited)
Service cost-benefits earned during the period	$ 25,049	$ 41,682
Interest cost on projected benefit obligation	88,592	89,235
Expected return on plan assets	(81,702)	(79,869)
Amortization of actuarial loss	43,507	91,095
Net periodic pension cost	$ 75,446	$ 142,143

5. Notes Payable

The Company maintains a line of credit (the "Line of Credit") with TD Bank, NA (the "Bank") for $500,000. On April 13, 2018, after the close of this reporting period, the Bank entered into a Loan Modification Agreement with the Company that extends the Line of Credit's maturity date to August 31, 2018, increases the borrowing rate from the Bank's Prime Rate plus 1.00% to 1.25% and adds John Dewey, CEO, as a guarantor. No other terms of the Company's revolving term note to the Bank were changed.

The Line of Credit provides among other things for an annual interest rate on borrowings equal to the Bank's Prime Rate plus 1.25% and is subject to customary representations, covenants, and default provisions in favor of the Bank. Any loans drawn under the Line of Credit are secured by a first lien on all of the Company's accounts receivable, machinery, equipment, other personal property and Commercial Mortgages on the Company's real property. The rate applicable to the Line of Credit at March 31, 2018 was approximately 5.75%. The Company has previously utilized the Line of Credit during periods of increased production requirements and anticipates that it will continue to utilize this credit facility during future periods of peak production activity. As of March 31, 2018, the Company had $500,000 of outstanding borrowings against the Line of Credit.

6. Revenues

For the three months ended March 31, 2018, production efforts to provide power products to the U.S. Department of Defense, Government contractors, and foreign militaries, which includes diesel operated tactical generator sets and associated equipment, were $844,640 or 66% of revenues compared to $300,617 or 39% of revenues for the three months ended March 31, 2017. Non-power products including replacement parts and other short-term business accounted for $426,388 or 34% of revenues in the three months ended March 31, 2018 and $475,927 or 61% of revenues for the same period in fiscal year 2017.

For the nine months ended March 31, 2018, production efforts to provide power products to the U.S. Department of Defense, Government contractors, and foreign militaries, which includes diesel operated tactical generator sets and associated equipment, were $1,921,711 or 60% of revenues compared to $1,177,110 or 53% of revenues for the nine months ended March 31, 2017. Non-power products including replacement parts and other short-term business accounted for $1,263,800 or 40% of revenues in the nine months ended March 31, 2018 and $1,023,860 or 47% of revenues for the same period in fiscal year 2017.

Overall, revenues for the nine month period ended March 31, 2018 were $984,544 higher when compared to the nine month period ended March 31, 2017.

The aggregate value of the Company's backlog of sales orders was $2.1 million on March 31, 2018. The Company's backlog of sales orders was $2.1 million on March 31, 2017.

7. Gross Profit

The Company earned a gross profit of $567,543 or 45% of revenues for the three months ended March 31, 2018 compared to a gross profit of $35,837 or 5% of revenues for the same period in fiscal year 2017.

The Company earned a gross profit of $935,291 or 29% of revenues for the nine months ended March 31, 2018 compared to a gross profit of $172,222 or 8% of revenues for the same period in fiscal 2017.

The higher gross profit for the three and nine months ended March, 2018 was primarily due to an increase in overall sales of both power and non-power products. The higher production levels favorably impacted the Company's ability to absorb more overhead resulting in lower cost of goods sold.

8. Selling, General and Administrative Expenses

Selling, General and Administrative Expenses for the three months ended March 31, 2018 were $284,586 or 22% of revenues compared to $326,610 or 42% of revenues for the three months ended March 31, 2017. The most significant changes in expense and the approximate amounts of the changes were decreases in legal and professional fees ($38,000) consulting expense ($30,000), and temp help ($6,000).

Selling, General and Administrative Expenses for the nine months ended March 31, 2018 were $769,573 or 24% of revenues compared to $1,039,593 or 47% of revenues for the nine months ended March 31, 2017. The most significant changes in expense and the approximate amounts of the changes were decreases in compensation expense ($25,000), legal and professional fees ($84,000) consulting expense ($100,000), pension expense ($10,000), corporate expense ($20,000), shows and meetings ($15,000), and temp help ($12,000).

The Financial Statements have been prepared by the Company in good faith. The Financial Statements fairly present, in the opinion of management, the financial condition and operating results of the Company as of the date, and for the period, indicated in the Financial Statements.

To the Company's knowledge, since March 31, 2018, there has not been any change in the assets, liabilities (excepting renewal of Note Payable discussed in Note 6), financial condition, or operating results of the Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse to the Company.