



December 13, 2017

Frequency Electronics, Inc. Announces Second Quarter Fiscal Year 2018 Results

MITCHEL FIELD, N.Y., Dec. 13, 2017 (GLOBE NEWSWIRE) -- Frequency Electronics, Inc. (NASDAQ:FEIM) reported revenues for the second quarter of fiscal 2018, which ended October 31, 2017, of \$9.3 million as compared to \$11.5 million in the same quarter of fiscal 2017. Revenues for the first six months of fiscal 2018 were \$21.3 million compared to \$23.0 million recorded in the same period of the prior year. The Company recorded an operating loss of \$1.9 million for the quarter ended October 31, 2017, compared to an operating loss of \$1.2 million in the second quarter of fiscal 2017. Operating loss for the first six months of fiscal 2018 was \$1.7 million compared to \$1.6 million in the first half of fiscal 2017. Net loss for the second quarter of fiscal 2018 was \$1.5 million or (\$0.17) per diluted share compared to net loss of \$1.0 million or (\$0.12) per diluted share for the second quarter of the prior year. Net loss for the first six months of fiscal 2018 was \$867,000 or (\$0.10) per diluted share compared to \$1.7 million or (\$0.20) per diluted share for the first half of fiscal 2017.

Commenting on the Company's performance and business outlook, Chairman of the Board Joel Girsky said, "Results this quarter were generally in line with expectation. We are, however, disappointed with the continuing uncertainty in the satellite market which is delaying new satellite procurements. As we have previously discussed, these delays manifest themselves in lower revenue and reduced gross margins. Despite these issues, I am pleased with cash management this quarter.

In calendar 2018, despite the continuing uncertainty, we expect to book in excess of \$50 million in new contracts across several satellite related programs.

For the near term, we are working hard to reduce costs and manage our way through what we believe to be a temporary situation. Irrespective of quarterly financial matters, I am encouraged by the continuing high level of proposal activity and, in fact, the largest pipeline of new business opportunities in FEI's history. This suggests the market is picking up and while it takes some time for proposals to convert to signed contracts, the trend is favorable. We are also very pleased by our continued progress in the secure communications/command and control business and FEI-Zyfer's performance this quarter. We see this business area is having significant opportunities for growth and will continue to allocate resources to pursue it. We also need to maintain our focus on R&D progress to ensure we are well positioned as the market improves. FEI's low G-sensitive, low phase noise oscillators and precision timing technologies are critical to many satellite, airborne and terrestrial systems, including applications for secure communications, communications-on-the-move, and infrastructure protection. The R&D activity is a major component of the reported operating losses over the recent past."

Gillam

As previously announced, Gillam is being reported as a "discontinued operation". The Company anticipates concluding the disposition of its interest in Gillam by the end of this fiscal 2018. The results of Gillam for quarters ended October 31, 2017 and 2016, are presented as discontinued operations herewith and in the Company's 10-Q to be filed on December 15, 2017.

Selected Fiscal 2018 Financial Metrics and Other Items

- | For the six months ended October 31, 2017, revenues from commercial and U.S. Government satellite payload programs were approximately \$9.0 million compared to \$10.6 million for the same period of fiscal 2017. Commercial and U.S. Government satellite payload programs accounted for approximately 42% of consolidated revenues, compared to 46% in the prior year.
- | For the six months ended October 31, 2017, sales for U.S. Government/DOD non-space end use were \$7.7 million compared to \$9.0 million for the same period of fiscal 2017. Sales for U.S. Government/DOD, non-space end use accounted for approximately 36% of consolidated revenues compared to 39% of revenues for the same quarter of last year.
- | Sales for other commercial and industrial applications were approximately \$4.7 million compared to \$3.5 million for the same period of fiscal 2017. Commercial and industrial applications accounted for approximately 22% of consolidated revenues, compared to 15% in the prior year.
- | Gross margin rate for the six months ended October 31, 2017 decreased to 31.5% as compared to 32.8% during the same period of the prior year. The gross margin was affected by unabsorbed overhead costs and increased costs to repair product returned to the Company.
- | Research and development expense was \$3.4 million for the first six months of fiscal 2018 compared to \$3.5 million

for the same period of fiscal 2017. The Company expects the accelerated level of internal and customer funded R&D to continue for the foreseeable future as we address new large opportunities in secure communications/command and control applications, next generation satellite payload products and additional DOD markets.

- Backlog at the end of the quarter was \$21 million down from \$28 million at year end.

Investor Conference Call

As announced on December 8, 2017, the Company will hold a conference call to discuss these results on Wednesday, December 13, 2017, at 4:30 PM Eastern Time. Investors and analysts may access the call by dialing 1-877-407-9205. International callers may dial 1-201-689-8054. Ask for the Frequency Electronics conference call.

The call will be archived on the Company's website through March 12, 2018. The archived call may also be retrieved at 1-877-481-4010 (domestic) or 1-919-882-2331 (international) using Conference ID #: 13674540 for one week following the call.

About Frequency Electronics

Frequency Electronics, Inc. is a world leader in the design, development and manufacture of high precision timing, frequency control and synchronization products for space and terrestrial applications. Frequency's products are used in satellite payloads and in other commercial, government and military systems including C4ISR and EW markets, missiles, UAVs, aircraft, GPS, secure radios, energy exploration and wireline and wireless communication networks. Frequency has received over 100 awards of excellence for achievements in providing high performance electronic assemblies for over 150 space and DOD programs. The Company invests significant resources in research and development and strategic acquisitions world-wide to expand its capabilities and markets.

Frequency's Mission Statement: "Our mission is to provide precision time and low phase noise frequency generation systems from 1 Hz to 46 GHz, for space and other challenging environments."

Subsidiaries and Affiliates: FEI-Zyfer provides GPS and secure timing ("SAASM") capabilities for critical military and commercial applications; FEI-Elcom Tech provides sub-systems for the Electronic Warfare ("EW") markets and added resources for state-of-the-art RF microwave products, FEI-Asia provides cost effective manufacturing capabilities. Frequency's Morion affiliate supplies high-quality, cost effective oscillators and components. Additional information is available on the Company's website: www.frequencyelectronics.com.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:

The Statements in this press release regarding the future constitute "forward-looking" statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, inability to integrate operations and personnel, actions by significant customers or competitors, general domestic and international economic conditions, consumer spending trends, reliance on key customers, continued acceptance of the Company's products in the marketplace, competitive factors, new products and technological changes, product prices and raw material costs, dependence upon third-party vendors, competitive developments, changes in manufacturing and transportation costs, the availability of capital, and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this release.

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Frequency Electronics, Inc. and Subsidiaries Condensed Consolidated Statement of Operations (in thousands except per share data)

Six Months ended October 31,		Quarter Ended October 31,	
2017	2016	2017	2016
(unaudited)	(unaudited)	(unaudited)	(unaudited)

Revenues	\$ 21,360	\$ 23,028	\$ 9,337	\$ 11,466
Cost of Revenues	14,636	15,474	7,134	7,737
Gross Margin	6,724	7,554	2,203	3,729
Selling and Administrative	5,046	5,648	2,335	2,816
Research and Development	3,364	3,496	1,734	2,095
Operating Loss	(1,686)	(1,590)	(1,866)	(1,182)
Interest and Other, Net	1,129	213	(7)	161
Loss before Income Taxes	(557)	(1,377)	(1,873)	(1,021)
Income Tax Benefit	(98)	(204)	(584)	(164)
Net Loss from Continuing Operations	(459)	(1,173)	(1,289)	(857)
Loss from Discontinued Operations, net of tax	(408)	(557)	(192)	(167)
Net Loss	\$ (867)	\$ (1,730)	\$ (1,481)	\$ (1,024)
Net Loss per Share:				
Basic Loss from Continued Operations	\$ (0.05)	\$ (0.14)	\$ (0.15)	\$ (0.10)
Basic Loss from Discontinued Operations	\$ (0.05)	\$ (0.06)	\$ (0.02)	\$ (0.02)
Basic Loss per Share	\$ (0.10)	\$ (0.20)	\$ (0.17)	\$ (0.12)
Diluted Loss from Continued Operations	\$ (0.05)	\$ (0.14)	\$ (0.15)	\$ (0.10)
Diluted Loss from Discontinued Operations	\$ (0.05)	\$ (0.06)	\$ (0.02)	\$ (0.02)
Diluted Loss per Share	\$ (0.10)	\$ (0.20)	\$ (0.17)	\$ (0.12)
Average Shares Outstanding				
Basic	8,830	8,771	8,835	8,781
Diluted	8,830	8,771	8,835	8,781

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)

	October 31, 2017	April 30, 2017
	(unaudited)	(audited)
ASSETS		
Cash & Marketable Securities	\$ 12,410	\$ 9,978
Accounts Receivable	7,071	10,986
Costs and Estimated Earnings in Excess of Billings, net	5,949	7,964
Inventories	31,210	29,051
Other Current Assets	4,720	3,711
Current Assets of Discontinued Operations	8,157	8,165
Property, Plant & Equipment	14,349	14,813
Other Assets	28,274	28,082
Non-Current Assets of Discontinued Operations	562	569
	<u>\$ 112,702</u>	<u>\$ 113,319</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	\$ 5,601	\$ 5,862
Current Liabilities of Discontinued Operations	1,978	2,249
Other Long-term Obligations	14,858	14,661
Non-Current Liabilities of Discontinued Operations	1,387	1,215
Stockholders' Equity	88,878	89,332
	<u>\$ 112,702</u>	<u>\$ 113,319</u>

