



September 13, 2017

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

MITCHEL FIELD, N.Y., Sept. 13, 2017 (GLOBE NEWSWIRE) -- Frequency Electronics, Inc. (NASDAQ:FEIM) reported revenues for the first quarter of fiscal 2018, which ended July 31, 2017, of \$12.0 million as compared to \$11.6 million in the same quarter of fiscal 2017. The Company recorded operating profit of \$180,000 for the quarter ended July 31, 2017, compared to an operating loss of \$408,000 in the first quarter of fiscal 2017. Net income for the first quarter of fiscal 2018 was \$614,000 or \$0.07 per diluted share compared to net loss of \$706,000 or (\$0.08) per diluted share for the first quarter of the prior year.

Commenting on the Company's performance and business outlook, Chairman of the Board Joel Girsky said: "We have experienced some very important events since the end of this past quarter. As announced earlier today Dr. Stanton Sloane has been appointed the Company's Chief Operating Officer. He brings a wealth of experience as a business executive generally, extensive merger and acquisition expertise, and in particular, a deep understanding of the Aerospace and Defense market. In addition to a diverse background in complex systems and product development, he has worked on space and terrestrial systems of interest to FEI such as GPS, secure communications, radar and electronic warfare.

This quarter has seen an increase in proposal activity relating to our satellite payload business, an encouraging trend. While it typically takes six or more months for proposals to become signed contracts, we would anticipate that some number of the quotes we have submitted will convert to firm bookings in the not too distant future. We are also highly encouraged by our progress in the secure communications/command and control business this last quarter. This progress is evidenced by the excellent results at FEI-Zyfer. This business area is a major focus for Frequency and we expect to see significant growth in the coming months. We will continue to allocate resources to pursue this business aggressively. The past quarter also saw an improvement in cash flow and gross margins, as well as reduced SG&A, resulting from better cost management. We have taken, and will continue to take, the steps necessary to assure growth and improved financial performance."

Gillam

As previously announced, we are actively working to effect a sale of FEI's Gillam subsidiary to an external buyer. Gillam is being reported as a "held for sale/ 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 July 31, 2017 and 2016, are presented as discontinued operations herewith and in the Company's 10-Q to be filed on September 14, 2017.

Selected Fiscal 2018 Financial Metrics and Other Items

- Revenues from commercial and U.S. Government satellite payload programs were approximately \$5.2 million compared to \$6.3 million for the same period of fiscal 2017. Commercial and U.S. Government satellite payload programs accounted for approximately 43% of consolidated revenues, compared to 55% in the prior year.
- Sales for U.S. Government/DOD, non-space end use increased to \$4.5 million compared to \$3.4 million for the same period of fiscal 2017. Sales for U.S. Government/DOD, non-space end use accounted for approximately 38% of consolidated revenues compared to 29% of revenues for the same quarter of last year.
- Sales for other commercial and industrial applications were approximately \$2.3 million compared to \$1.9 million for the same period of fiscal 2017. Commercial and industrial applications accounted for approximately 19% of consolidated revenues, compared to 16% in the prior year.
- Gross margin rate for the quarter ended July 31, 2017 increased to 37.6% as compared to 33.1% during the first quarter of last year. The first quarter gross margin and operating profit was positively affected by the increase in secure communication/command and control product sales, product mix and effective cost management.
- Research and development expense rose to \$1.6 million in the first quarter compared to \$1.4 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 \$23 million down from \$28 million at year end.

Investor Conference Call

As announced on September 11, 2017, the Company will hold a conference call to discuss these results on Wednesday, September 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 December 12, 2017. The archived call may also be retrieved at 1-877-481-4010 (domestic) or 1-919-882-2331 (international) using Conference ID #: 13670512 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)

	Quarter Ended	
	July 31,	
	<u>2017</u>	<u>2016</u>
	(unaudited)	
Revenues	\$12,023	\$11,562
Cost of Revenues	<u>7,502</u>	<u>7,737</u>

Gross Margin	4,521	3,825
Selling and Administrative	2,712	2,832
Research and Development	<u>1,629</u>	<u>1,401</u>
Operating Profit (Loss)	180	(408)
Interest and Other, Net	<u>1,135</u>	<u>51</u>
Income (Loss) before Income Taxes	1,315	(357)
Income Tax Provision (Benefit)	<u>485</u>	<u>(40)</u>
Net Income (loss) from continuing operations	830	(317)
(Loss) from discontinued operations, net of tax	<u>(216)</u>	<u>(389)</u>
Net Income (loss)	<u>\$ 614</u>	<u>\$ (706)</u>
Net Income (loss) per Share:		
Basic earnings (loss) from continued operations	<u>\$ 0.09</u>	<u>\$ (0.04)</u>
Basic loss from discontinued operations	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>
Basic earnings (loss) per share	<u>\$ 0.07</u>	<u>\$ (0.08)</u>
Diluted earnings (loss) from continued operations	<u>\$ 0.09</u>	<u>\$ (0.04)</u>
Diluted loss from discontinued operations	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>
Diluted earnings (loss) per share	<u>\$ 0.07</u>	<u>\$ (0.08)</u>
Average Shares Outstanding		
Basic	<u>8,826</u>	<u>8,762</u>
Diluted	<u>8,967</u>	<u>8,762</u>

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

	July 31, <u>2017</u> (unaudited)	April 30, <u>2017</u> (audited)
<u>ASSETS</u>		
Cash & Marketable Securities	\$ 12,504	\$ 9,978
Accounts Receivable	8,107	10,986
Costs and Estimated Earnings in Excess of Billings, net	7,697	7,964
Inventories	30,457	29,051
Other Current Assets	3,349	3,711
Current Assets of Discontinued Operations	8,412	8,165
Property, Plant & Equipment	14,641	14,813
Other Assets	28,333	28,082
Non-Current Assets of Discontinued Operations	<u>572</u>	<u>569</u>
	<u>\$ 114,072</u>	<u>\$ 113,319</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities	\$ 5,839	\$ 5,862
Current Liabilities of Discontinued Operations	2,276	2,249
Other Long-term Obligations	14,750	14,661
Non-Current Liabilities of Discontinued Operations	1,316	1,215
Stockholders' Equity	<u>89,891</u>	<u>89,332</u>
	<u>\$ 114,072</u>	<u>\$ 113,319</u>