



March 15, 2016

Frequency Electronics, Inc. Announces Third Quarter Fiscal Year 2016 Results

MITCHEL FIELD, N.Y., March 15, 2016 (GLOBE NEWSWIRE) -- Frequency Electronics, Inc. (NASDAQ:FEIM) reported revenues for the third quarter of fiscal 2016, which ended January 31, 2016, of \$13.5 million, compared to \$18.4 million recorded in the third quarter of fiscal 2015. Revenues for the first nine months of fiscal 2016 were \$46.2 million compared to \$57.4 million recorded in the same period of fiscal year 2015.

Operating profit was \$272,000 for the quarter ended January 31, 2016, compared to \$997,000 in the third quarter of the prior year. Operating profit for the first nine months of fiscal year 2016 was \$1.3 million compared to \$3.7 million in the same period of fiscal year 2015. Net income for the third quarter of fiscal 2016 was \$282,000 or \$0.03 per diluted share, compared to \$878,000 or \$0.10 per diluted share for the third quarter of the prior year. For the year to date, net income was \$1.1 million or \$0.12 per diluted share compared to the prior year's \$2.9 million or \$0.33 per diluted share.

Commenting on these results, Chairman of the Board General Joseph Franklin said: "As anticipated, delays in government programs impacted revenues through the third quarter of this fiscal year. Our present view is many of the delayed programs will be released over the next two to four months reversing the trend experienced earlier this year. During the past nine months, we increased throughput capacity with additional automation to demonstrate to key customers our ability to meet their future production demands. We also continued to enhance the unmatched performance of our satellite payload and secure communication products. We are pleased that in spite of lower revenues and maintaining higher levels of R&D investment we generated positive operating cash flow."

Fiscal 2016 Selected Financial Metrics and Other Items:

- ┆ For the nine months ended January 31, 2016, consolidated revenues declined compared to last year primarily due to the postponement and rescheduling of certain satellite programs, as well as orders for other DOD equipment. Going forward we anticipate revenue growth in both satellite payload and other U.S. Government/DOD products for our next full fiscal year, beginning in May 2016.
- ┆ For the nine months ended January 31, 2016, total sales for U.S. Government/DOD end-use, including revenues on U.S. Government satellite programs, was approximately 60% of consolidated revenues. Almost two-thirds of funded backlog is related to products for U.S. Government end-use.
- ┆ The gross margin rate for the nine and three months ended January 31, 2016, increased to 34% and 35%, respectively, despite lower revenues compared to 32% in both prior year periods. We took steps to mitigate the effect on profitability during a period of reduced revenues while maintaining capacity and scalability for increased throughput.
- ┆ Backlog at January 31, 2016 was \$22 million and comparable to backlog at the end of the second quarter. Based upon scheduling of satellite payloads and other U.S. Government/DOD programs since the end of the third quarter, we expect backlog to increase in the current quarter ending in April 2016.
- ┆ During the quarter ended January 31, 2016, the Company generated positive operating cash flow of almost \$5 million and is cash flow positive for the nine months to date. The Company expects to continue to generate positive cash flow in subsequent fiscal quarters.

Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on Tuesday, March 15, 2016, at 1:30 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 April 15, 2016. The archived call may also be retrieved at 1-877-660-6853 (domestic) or 1-201-612-7415 (international) using Conference ID #: 13632780.

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 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: Gillam-FEI provides expertise in network synchronization and monitoring; FEI-Zyfer provides GPS and secure timing ("SAASM") capabilities for critical military and commercial applications; FEI-Asia provides cost effective manufacturing capabilities; FEI-Elcom Tech provides added resources for state-of-the-art RF microwave products. 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.

**Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Statement of Operations**

	Three Months ended		Nine Months Ended	
	January 31,		January 31,	
	2016	2015	2016	2015
	(unaudited)			
	(in thousands except per share data)			
Revenues	\$ 13,498	\$ 18,381	\$ 46,182	\$ 57,364
Cost of Revenues	8,773	12,485	30,459	39,129
Gross Margin	4,725	5,896	15,723	18,235
Selling and Administrative	3,151	3,578	10,067	10,548
Research and Development	1,302	1,321	4,395	3,965
Operating Profit	272	997	1,261	3,722
Interest and Other, Net	30	81	743	613
Income before Income Taxes	302	1,078	2,004	4,335
Income Tax Provision	20	200	900	1,450
Net Income	<u>\$ 282</u>	<u>\$ 878</u>	<u>\$ 1,104</u>	<u>\$ 2,885</u>
Net Income per Share:				
Basic	<u>\$ 0.03</u>	<u>\$ 0.10</u>	<u>\$ 0.13</u>	<u>\$ 0.34</u>
Diluted	<u>\$ 0.03</u>	<u>\$ 0.10</u>	<u>\$ 0.12</u>	<u>\$ 0.33</u>
Average Shares Outstanding				
Basic	<u>8,736</u>	<u>8,609</u>	<u>8,723</u>	<u>8,596</u>
Diluted	<u>8,925</u>	<u>8,874</u>	<u>8,948</u>	<u>8,864</u>

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

January 31, April 30,
2016 2015
(unaudited) (audited)
(in thousands)

ASSETS

Cash & Marketable Securities	\$ 17,778	\$ 18,408
Accounts Receivable	9,175	9,689
Costs and Estimated Earnings in Excess of Billings, net	12,345	12,929
Inventories	40,732	38,239
Other Current Assets	5,118	4,334
Property, Plant & Equipment	12,425	12,686
Other Assets	22,275	21,540
	<u>\$ 119,848</u>	<u>\$117,825</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$ 8,618	\$ 8,350
Long-term Debt	6,000	6,000
Other Long-term Obligations	12,021	11,665
Stockholders' Equity	93,209	91,810
	<u>\$ 119,848</u>	<u>\$117,825</u>

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