UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended October 31, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File No. 1-8061

FREQUENCY ELECTRONICS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**11-1986657**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
55 CHARLES LINDBERGH BLVD., MITCHEL FIELD, N.Y.	**11553**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **516-794-4500**

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock (par value $1.00 per share)	**FEIM**	**NASDAQ Global Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller Reporting Company ☒
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of Registrant's Common Stock, par value $1.00 as of December 11, 2019 – 9,099,598

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands except par value)

	October 31, 2019 (UNAUDITED)	April 30, 2019
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 2,606	$ 3,683
Marketable securities	8,383	8,199
Accounts receivable, net of allowance for doubtful accounts of $182 at October 31, 2019 and $183 at April 30, 2019	4,437	6,362
Costs and estimated earnings in excess of billings, net	8,086	6,670
Inventories, net	23,280	23,356
Prepaid income taxes	35	499
Prepaid expenses and other	2,224	2,583
Current assets held for sale	-	1,347
Total current assets	49,051	52,699
Property, plant and equipment, at cost, net of accumulated depreciation and amortization	12,708	13,038
Goodwill	617	617
Cash surrender value of life insurance and cash held in trust	14,640	14,292
Right-of-Use assets	11,354	-
Other assets	3,579	5,923
Non-current assets held for sale	-	202
Total assets	**$ 91,949**	**$ 86,771**
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable – trade	$ 914	$ 1,188
Accrued liabilities	3,391	3,571
Loss provision accrual	2,107	-
Lease liability, current	1,903	-
Current liabilities held for sale	-	1,078
Total current liabilities	8,315	5,837
Deferred compensation	14,373	14,216
Lease liability	9,784	-
Other liabilities	1,309	1,376
Non-current liabilities held for sale	-	2,253
Total liabilities	33,781	23,682
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $1.00 par value; authorized 600 shares, no shares issued	-	-
Common stock - $1.00 par value; authorized 20,000 shares, 9,164 shares issued, 9,100 shares outstanding at October 31, 2019; 8,980 shares outstanding at April 30, 2019	9,164	9,164
Additional paid-in capital	56,658	56,831
Accumulated deficit	(7,611)	(2,111)
	58,211	63,884
Common stock reacquired and held in treasury - at cost (64 shares at October 31, 2019 and 184 shares at April 30, 2019)	(295)	(841)
Accumulated other comprehensive income	252	46
Total stockholders' equity	58,168	63,089
Total liabilities and stockholders' equity	**$ 91,949**	**$ 86,771**

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Operations
Six Months Ended October 31,
(In thousands except per share data)
(Unaudited)

	2019	2018
Condensed Consolidated Statements of Operations		
Revenues	$ 21,641	$ 23,153
Cost of revenues	18,870	14,860
Gross margin	2,771	8,293
Selling and administrative expenses	4,743	5,182
Research and development expense	3,731	3,257
Operating loss	(5,703)	(146)
Other income (expense):		
Investment income	224	189
Interest expense	(50)	(34)
Other income, net	58	121
(Loss) Income before provision (benefit) for income taxes	(5,471)	130
Provision (benefit) for income taxes	29	(23)
Net (loss) income	$ (5,500)	$ 153
Net (loss) income per common share:		
Basic and diluted (loss) earnings per share	$ (0.61)	$ 0.02
Weighted average shares outstanding:		
Basic	9,037	8,885
Diluted	9,037	9,046
Condensed Consolidated Statements of Comprehensive (Loss) Income		
Net (loss) income	$ (5,500)	$ 153
Other comprehensive income (loss):		
Foreign currency translation adjustment	-	(82)
Unrealized gain (loss) on marketable securities:		
Change in market value of marketable securities before reclassification, net of tax	207	(55)
Reclassification adjustment for realized gains included in net income, net of tax	(1)	(2)
Total unrealized gain (loss) on marketable securities, net of tax	206	(57)
Total other comprehensive income (loss)	206	(139)
Comprehensive (loss) income	$ (5,294)	$ 14

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Operations
Three Months Ended October 31,
(In thousands except per share data)
(Unaudited)

	2019	2018
Condensed Consolidated Statements of Operations		
Revenues	$ 9,087	$ 12,142
Cost of revenues	10,269	8,123
Gross margin	(1,182)	4,019
Selling and administrative expenses	2,290	2,642
Research and development expense	1,450	1,607
Operating loss	(4,922)	(230)
Other income (expense):		
Investment income	45	144
Interest expense	(25)	(17)
Other income (expense), net	2	195
(Loss) Income before provision for income taxes	(4,900)	92
Provision (benefit) for income taxes	9	(30)
Net (loss) income	$ (4,909)	$ 122
Net income per common share:		
Basic and diluted (loss) earnings per share	$ (0.54)	$ 0.01
Weighted average shares outstanding:		
Basic	9,072	8,893
Diluted	9,072	9,102
Condensed Consolidated Statements of Comprehensive (Loss) Income		
Net (loss) income	$ (4,909)	$ 122
Other comprehensive income (loss):		
Foreign currency translation adjustment	-	(46)
Unrealized gain (loss) on marketable securities:		
Change in market value of marketable securities before reclassification, net of tax	72	(47)
Reclassification adjustment for realized gains included in net income, net of tax	-	(2)
Total unrealized gain (loss) on marketable securities, net of tax	72	(49)
Total other comprehensive income (loss)	72	(95)
Comprehensive (loss) income	$ (4,837)	$ 27

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Six Months Ended October 31,
(In thousands)
(Unaudited)

	2019	2018
Cash flows from operating activities:		
Net (loss) income	$ (5,500)	$ 153
Non-cash charges to earnings	3,939	2,158
Net changes in operating assets and liabilities	1,741	(3,411)
Net cash provided by (used in) operating activities	180	(1,100)
Cash flows from investing activities:		
Proceeds on redemption of marketable securities	2,480	947
Purchase of marketable securities	(2,463)	(2,206)
Purchase of fixed assets and other assets	(1,274)	(1,337)
Net cash used in investing activities	(1,257)	(2,596)
Net decrease in cash and cash equivalents before effect of exchange rate changes	(1,077)	(3,696)
Effect of exchange rate changes on cash and cash equivalents	-	(262)
Net decrease in cash and cash equivalents	(1,077)	(3,958)
Cash and cash equivalents at beginning of period	3,683	7,869
Cash and cash equivalents at end of period	$ 2,606	$ 3,911
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 50	$ 34
Income Taxes	$ -	$ -
Cash refunded during the period for:		
Income Taxes	$ 467	$ 297

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity
Three and Six Months Ended October 31, 2019
(In thousands except per share data)
(Unaudited)

	Common Stock		Additional paid in capital	(Accumulated Deficit)	Treasury stock (at cost)		Accumulated other comprehensive Income	Total
	Shares	Amount			Shares	Amount		
Balance at April 30, 2019	9,163,940	$ 9,164	$ 56,831	$ (2,111)	183,661	$ (841)	$ 46	$ 63,089
Contribution of stock to 401(k) plan			74		(10,906)	50		124
Stock-based compensation expense			80					80
Exercise of stock options and stock appreciation rights - net of shares tendered for exercise price			(189)		(41,325)	189		-
Other comprehensive income, net of tax							134	134
Net loss				(591)				(591)
Balance at July 31, 2019	9,163,940	$ 9,164	$ 56,796	$ (2,702)	131,430	$ (602)	$ 180	$ 62,836
Contribution of stock to 401(k) plan			66		(8,703)	39		105
Stock-based compensation expense			64					64
Exercise of stock options and stock appreciation rights - net of shares tendered for exercise price			(268)		(58,387)	268		-
Other comprehensive income, net of tax							72	72
Net loss				(4,909)				(4,909)
Balance at October 31, 2019	9,163,940	$ 9,164	$ 56,658	$ (7,611)	64,340	$ (295)	$ 252	$ 58,168

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity
Three and Six Months Ended October 31, 2018
(In thousands except per share data)
(Unaudited)

	Common Stock		Additional paid in capital	(Accumulated Deficit) Retained earnings	Treasury stock (at cost)		Accumulated other comprehensive loss	Total
	Shares	Amount			Shares	Amount		
Balance at April 30, 2018	9,163,940	$ 9,164	$ 56,439	$ (65)	297,083	$ (1,361)	$ (915)	$ 63,262
Opening BS adjustment for adoption of ASU 2014-09				484				484
Adjusted balance at May 1, 2018	9,163,940	9,164	56,439	419	297,083	(1,361)	(915)	63,746
Contribution of stock to 401(k) plan			50		(14,339)	66		116
Stock-based compensation expense			121					121
Exercise of stock options and stock appreciation rights - net of shares tendered for exercise price			-		-	-		-
Other comprehensive income, net of tax							(44)	(44)
Net income				31				31
Balance at July 31, 2018	9,163,940	9,164	56,610	450	282,744	(1,295)	(959)	63,970
Contribution of stock to 401(k) plan			58		(10,089)	46		104
Stock-based compensation expense			123					123
Exercise of stock options and stock appreciation rights - net of shares tendered for exercise price			(81)		(17,708)	81		-
Other comprehensive loss, net of tax							(95)	(95)
Net income				122				122
Balance at October 31, 2018	9,163,940	$ 9,164	$ 56,710	$ 572	254,947	$ (1,168)	$ (1,054)	$ 64,224

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE A – CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management of Frequency Electronics, Inc. (the "Company"), the accompanying unaudited condensed consolidated interim financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly, in all material respects, the consolidated financial position of the Company as of October 31, 2019 and the results of its operations and cash flows for the six and three months ended October 31, 2019 and 2018. The April 30, 2019 condensed consolidated balance sheet was derived from audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the Company's Annual Report on Form 10-K for the year ended April 30, 2019, filed on July 26, 2019 with the Securities and Exchange Commission, and the financial statements and notes thereto ("2019 Form 10-K"). The results of operations for such interim periods are not necessarily indicative of the operating results for the full fiscal year.

NOTE B – EARNINGS PER SHARE

Reconciliation of the weighted average shares outstanding for basic and diluted Earnings Per Share were as follows:

	Periods ended October 31,			
	Six months		Three months	
	2019	2018	2019	2018
Weighted average shares outstanding:				
Basic	9,036,732	8,884,810	9,072,141	8,893,203
Effect of dilutive securities	**	161,028	**	208,836
Diluted	9,036,732	9,045,838	9,072,141	9,102,039

** For the six and three-month periods ended October 31, 2019 dilutive securities are excluded since the inclusion of such shares would be antidilutive due to the net loss for the periods. The exercisable shares excluded as of October 31, 2019 are 178,000 options. The effect of dilutive securities would have been 239,866 options and 230,670 options for the six and three-month periods ended October 31, 2019, respectively.

NOTE C – COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS, NET

At October 31, 2019 and April 30, 2019, costs and estimated earnings in excess of billings, net, consisted of the following:

	October 31, 2019	April 30, 2019
	(In thousands)	
Costs and estimated earnings in excess of billings	$ 10,201	$ 8,278
Billings in excess of costs and estimated earnings	(2,115)	(1,608)
Net asset	$ 8,086	$ 6,670

Such amounts represent revenue recognized on long-term contracts that had not been billed at the balance sheet dates or represent a liability for amounts billed in excess of the revenue recognized. Amounts are billed to customers pursuant to contract terms, whereas the related revenue is recognized on the basis of costs incurred relative to the total expected costs, or percentage of completion ("POC"), at the measurement date. In general, the recorded amounts will be billed and collected or revenue recognized within twelve months of the balance sheet date. Revenue on these long-term contracts is accounted for on the POC basis as defined above. During the six and three months ended October 31, 2019, revenue recognized under POC contracts was approximately $19.1 million and $7.7 million, respectively. During the six and three months ended October 31, 2018, revenue recognized under POC contracts was approximately $20.4 million and $11.2 million, respectively. If contract losses are anticipated the full amount of such losses are recorded in the loss provision accrual on the condensed consolidated balance sheets when they are determinable. Contract losses recognized for the six and three months ended October 31, 2019 were approximately $1.9 million and $1.6 million, respectively. There were no contract losses for the six and three months ended October 31, 2018.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE D – TREASURY STOCK TRANSACTIONS

During the six and three month periods ended October 31, 2019, the Company made contributions of 19,609 shares and 8,703 shares respectively of its common stock held in treasury to the Company's profit-sharing plan and trust under Section 401(k) of the Internal Revenue Code. Such contributions are in accordance with the Company's discretionary match of employee voluntary contributions to this plan.

NOTE E – INVENTORIES

Inventories, which are reported at the lower of cost and net realizable value, consisted of the following:

	October 31, 2019	April 30, 2019
	(In thousands)	
Raw Materials and Component Parts	$ 15,757	$ 11,600
Work in Progress	6,233	8,896
Finished Goods	1,290	2,860
	$ 23,280	$ 23,356

The amounts above are net of reserves of $6.9 million and $6.6 million as of October 31, 2019 and April 30, 2019, respectively. As of October 31, 2019 and April 30, 2019, all inventory was located in the United States.

NOTE F – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company's leases primarily represent offices, warehouses, vehicles, and manufacturing and research and development facilities which expire at various times through 2029 and are generally operating leases. Contractual arrangements are evaluated at inception to determine if the agreement contains a lease. Certain lease agreements contain renewal options, rent abatement, and escalation clauses that are factored into our determination of lease payments when appropriate. Right-of-use ("ROU") assets and lease liabilities are recorded based on the present value of future lease payments which will factor in certain qualifying initial direct costs incurred as well as any lease incentives that may have been received. Lease expenses for operating lease payments are recognized on a straight-line basis over the lease term. Lease terms may factor in options to extend or terminate the lease.

The Company elected the practical expedient for short-term leases which allows leases with terms of twelve months or less to be recorded on a straight-line basis over the lease term without being recognized on the balance sheet.

Effective May 1, 2019, the Company adopted ASU 2016-02. The table below presents ROU assets and liabilities recorded on the unaudited condensed consolidated balance sheet related to ASU 2016-02 as follows:

	Classification	October 31, 2019
		(in thousands)
Assets		
Operating lease ROU assets	Right-of-Use assets	$ 11,354
Liabilities		
Operating lease liabilities (short-term)	Lease liability, current	1,903
Operating lease liabilities (long-term)	Lease liability	9,784
Total lease liabilities		$ 11,687

Total operating lease expense was approximately $1.0 million and $504,000 for the six and three months, respectively, ended October 31, 2019, the majority of which is included in cost of revenues and the remaining amount in selling and administrative expenses on the unaudited condensed consolidated statements of operations. There were no new leases entered into for the current period ended October 31, 2019. Net non-cash operating activities related to leases was approximately $333,000 for the six months ended October 31, 2019.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

As previously disclosed in the 2019 Form 10-K, and under the previous lease accounting standard, future minimum lease payments for operating leases having initial or remaining non-cancellable lease terms in excess of one year would have been as follows (in thousands):

For the years ending April 30,		Operating Leases
2020	$	1,316
2021		1,521
2022		1,436
2023		1,469
2024		1,502
Thereafter		6,349
Total future minimum lease payments	$	13,593

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities recorded on the unaudited consolidated balance sheet as of October 31, 2019:

Fiscal Year Ending April 30,
(in thousands)

Remainder of 2020	$	908
2021		1,919
2022		1,783
2023		1,801
2024		1,834
Thereafter		7,215
Total lease payments		15,460
Less imputed interest		(3,773)
Present value of future lease payments		11,687
Less current obligations under leases		(1,903)
Long-term lease obligations	$	9,784

As of October 31, 2019, the weighted-average remaining lease term for all operating leases was 8.7 years. The Company does not generally have access to the rate implicit in the leases and therefore utilized the Company's borrowing rate as the discount rate. The weighted average discount rate for operating leases as of October 31, 2019 was 6.17%.

NOTE G – SEGMENT INFORMATION

The Company operates under two reportable segments based on the geographic locations of its subsidiaries:

(1) FEI-NY – operates out of New York and its operations consist principally of precision time and frequency control products used in three principal markets: satellites (both commercial and U.S. Government-funded); terrestrial cellular telephone or other ground-based telecommunication stations; and other components and systems for the U.S. military.

The FEI-NY segment also includes the operations of the Company's wholly-owned subsidiary, FEI-Elcom. FEI-Elcom, in addition to its own product line, provides design and technical support for the FEI-NY segment's satellite business.

(2) FEI-Zyfer – operates out of California and its products incorporate Global Positioning System (GPS) technologies into systems and subsystems for secure communications, both government and commercial, and other locator applications. FEI-Zyfer's products also incorporate precision time references for terrestrial secure communications and command and control, and frequency products that incorporate GPS. FEI-Zyfer's GPS capability complements the Company's existing technologies and permits the combined entities to provide a broader range of embedded systems for a variety of timing functions and anti-spoofing ("SAASM") applications.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The Company measures segment performance based on total revenues and profits generated by each geographic location rather than on the specific types of customers or end-users. Consequently, the Company determined that the segments indicated above most appropriately reflect the way the Company's management views the business.

The accounting policies of the two segments are the same as those described in the "Summary of Significant Accounting Policies" in the 2019 Form 10-K. The Company evaluates the performance of its segments and allocates resources to them based on operating profit which is defined as income before investment income, interest expense and taxes. All acquired assets, including intangible assets, are included in the assets of both reporting segments.

The tables below present information about reported segments with reconciliation of segment amounts to consolidated amounts as reported in the condensed consolidated statements of operations or the condensed consolidated balance sheets for each of the periods (in thousands):

	Periods ended October 31,			
	Six months		Three months	
	2019	2018	2019	2018
Revenues:				
FEI-NY	$ 16,794	$ 18,322	$ 7,784	$ 9,745
FEI-Zyfer	5,701	5,103	2,000	2,542
less intersegment revenues	(854)	(272)	(697)	(145)
Consolidated revenues	$ 21,641	$ 23,153	$ 9,087	$ 12,142
Operating (loss) income:				
FEI-NY	$ (5,475)	$ (402)	$ (4,296)	$ (185)
FEI-Zyfer	(44)	458	(561)	72
Corporate	(184)	(202)	(65)	(117)
Consolidated operating loss	$ (5,703)	$ (146)	$ (4,922)	$ (230)

	October 31, 2019	April 30, 2019
Identifiable assets:		
FEI-NY	$ 49,225	$ 54,295
FEI-Zyfer	12,369	10,478
less intersegment balances	(8,586)	(8,346)
Corporate	38,941	30,344
Consolidated identifiable assets	$ 91,949	$ 86,771

Total revenue related to the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), ("ASU 2014-09") and recognized over time as POC and Passage of Title ("POT") were approximately $19.1 million and $2.5 million, respectively, of the $21.6 million reported for the six months ended October 31, 2019. The amounts recognized over time as POC and POT were approximately $20.4 million and $2.8 million of the $23.2 million reported for the six months ended October 31, 2018. The amounts by segment and product line were as follows:

	Six Months Ended October 31,					
	2019 (In thousands)			2018 (In thousands)		
	POC Revenue	POT Revenue	Total Revenue	POC Revenue	POT Revenue	Total Revenue
FEI-NY	$ 14,297	$ 2,497	$ 16,794	$ 17,199	$ 1,123	$ 18,322
FEI-Zyfer	4,925	776	5,701	3,233	1,870	5,103
Intersegment	(76)	(778)	(854)	(36)	(236)	(272)
Revenue	$ 19,146	$ 2,495	$ 21,641	$ 20,396	$ 2,757	$ 23,153

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	Three Months Ended October 31,					
	2019 (In thousands)			2018 (In thousands)		
	POC Revenue	POT Revenue	Total Revenue	POC Revenue	POT Revenue	Total Revenue
FEI-NY	$ 6,139	$ 1,645	$ 7,784	$ 9,120	$ 625	$ 9,745
FEI-Zyfer	1,602	398	2,000	2,058	484	2,542
Intersegment	(50)	(647)	(697)	(30)	(115)	(145)
Revenue	$ 7,691	$ 1,396	$ 9,087	$ 11,148	$ 994	$ 12,142

	Periods ended October 31, (in thousands)			
	Six months		Three months	
	2019	2018	2019	2018
Revenues by Product Line:				
Satellite Revenue	$ 9,431	$ 11,302	$ 5,537	$ 5,768
Government Non-Space Revenue	9,005	10,420	2,261	5,639
Other Commercial & Industrial Revenue	3,205	1,431	1,289	735
Consolidated revenues	$ 21,641	$ 23,153	$ 9,087	$ 12,142

NOTE H – INVESTMENT IN MORION, INC.

The Company has an investment in Morion, Inc. (“Morion”), a privately-held Russian company, which manufactures high precision quartz resonators and crystal oscillators. The Company’s investment consists of 4.6% of Morion’s outstanding shares, accordingly, the Company accounts for its investment in Morion on the cost basis. This investment is included in other assets in the accompanying condensed consolidated balance sheets. During the six months ended October 31, 2019 and 2018, the Company acquired product from Morion in the aggregate amount of approximately $380,000 and $145,000, respectively, and the Company sold product and training services to Morion in the aggregate amount of approximately $49,000 and $2,000, respectively, included in revenues in the condensed consolidated statements of operations as part of the FEI-NY segment. During the three months ended October 31, 2019 and 2018, the Company acquired product from Morion in the aggregate amount of approximately $135,000 and $78,000, respectively, and the Company sold product and training services to Morion in the aggregate amount of approximately $2,000 and $0 respectively, included in revenues in the condensed consolidated statements of operations as part of the FEI-NY segment. At October 31, 2019 there was approximately $53,000 payable to Morion, up from approximately $38,000 at April 30, 2019, and there were no receivables related to Morion for either period. During the six months ended October 31, 2019 and 2018, the Company received a dividend from Morion in the amount of approximately $125,000 and $105,000 respectively, which is included in other income, net in the condensed consolidated statements of operations as part of the FEI-NY segment.

Morion operates as a subsidiary of Gazprombank, a state-owned Russian bank. On July 16, 2014, after the Company’s investment in Morion, Gazprombank became subject to the U.S. Department of Treasury’s prohibition against U.S. persons from providing it with new financing.

NOTE I – FAIR VALUE OF FINANCIAL INSTRUMENTS

The cost, gross unrealized gains, gross unrealized losses, and fair market value of available-for-sale securities at October 31, 2019 and April 30, 2019, respectively, were as follows (in thousands):

	October 31, 2019			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Fixed income securities	$ 8,131	$ 260	$ (8)	$ 8,383

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

	April 30, 2019			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Fixed income securities	$ 8,152	$ 71	$ (24)	$ 8,199

During the six months ended October 31, 2019, the Company sold or redeemed available-for-sale securities of approximately $2,480,000, realizing gains of approximately $1,000.

The following table presents the fair value and unrealized losses, aggregated by investment type and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	Less than 12 months		12 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
October 31, 2019						
Fixed Income Securities	$ 107	$ (3)	$ 219	$ (5)	$ 326	$ (8)
April 30, 2019						
Fixed Income Securities	$ 995	$ (4)	$ 3,349	$ (20)	$ 4,344	$ (24)

The Company regularly reviews its investment portfolio to identify and evaluate investments that have indications of possible impairment. The Company does not believe that its investments in marketable securities with unrealized losses at October 31, 2019 were other-than-temporary due to market volatility of the security's fair value, analysts' expectations, and the Company's ability to hold the securities for a period of time sufficient to allow for any anticipated recoveries in market value.

Maturities of fixed income securities classified as available-for-sale at October 31, 2019 were as follows, at cost (in thousands):

Current	$ 2,122
Due after one year through five years	3,333
Due after five years through ten years	2,676
	$ 8,131

The fair value accounting framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:
-Quoted prices for similar assets or liabilities in active markets;
-Quoted prices for identical or similar assets or liabilities in inactive markets;
-Inputs other than quoted prices that are observable for the asset or liability; and
-Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
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The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. All of the Company's investments in marketable securities are valued on a Level 1 basis.

NOTE J – RECENT ACCOUNTING PRONOUNCEMENTS

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13 *Fair Value Measurement (Topic 820)* ("ASU 2018-13") which modifies the disclosure requirement on fair value measurements. The new guidance is effective for fiscal years beginning after December 15, 2019. The Company is evaluating the effect, if any, the update will have on its financial statements when adopted in fiscal year 2021.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Under ASU 2017-04 goodwill impairment will be tested by comparing the fair value of a reporting unit with its carrying amount, and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The new guidance must be applied on a prospective basis and is effective for periods beginning after December 15, 2019, with early adoption permitted. The Company will not be adopting ASU 2017-04 early, and is in the process of determining the effect that ASU 2017-04 may have. However, the Company expects the new standard to have an immaterial effect on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") which replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019 the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* which defers the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022. The Company is evaluating the effect, if any, the update will have on its financial statements when adopted in fiscal year 2024.

Newly Adopted Accounting Standards

Leases (Topic 842)

In the first quarter of fiscal 2020 the Company adopted ASU No. 2016-02 *Leases (Topic 842)* ("ASU 2016-02") and recognized on its condensed consolidated balance sheets $12.1 million of lease liabilities with corresponding ROU assets for operating leases. The Company elected a prospective application for the new guidance, as permitted under ASU 2016-02, and therefore prior periods continue to be presented in accordance with Topic 840. We also elected the package of practical expedients, which among other things, does not require reassessment of lease classification.

NOTE K – CREDIT FACILITY

As of October 31, 2019, the Company had available credit at variable terms based on its securities holdings under an advisory arrangement, under which no borrowings have been made.

NOTE L – VALUATION ALLOWANCE ON DEFERRED TAX ASSETS

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future.

As required by the authoritative guidance on accounting for income taxes, we evaluate the realizability of deferred tax assets on a jurisdictional basis at each reporting date. We consider all positive and negative evidence, including the reversal of deferred tax liabilities, projected future taxable income, tax planning strategies, and results of recent operations. Accounting for income taxes requires that a valuation allowance be established when it is more likely than not that all or a portion of the deferred tax assets will not be realized. In circumstances where there is sufficient negative evidence indicating that the deferred tax assets will not be realizable, we establish a valuation allowance. As of October 31, 2019, and April 30, 2019, the Company maintained a full valuation allowance against its deferred tax assets. If these estimates and assumptions change in the future, the Company may be required to adjust its existing valuation allowance resulting in changes to deferred income tax expense.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

The statements in this quarterly report on Form 10-Q regarding future earnings and operations and other statements relating to the future constitute "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1933 or the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "believe," "may," "will," "could," "should," "would," "anticipate," "estimate," "expect," "project," "intend," "objective," "seek," "strive," "might," "likely result," "build," "grow," "plan," "goal," "expand," "position," or similar words, or the negatives of these words, or similar terminology, identify forward-looking statements. All statements by the Company that address activities, events or developments that the Company expects or anticipates will occur in the future, including all statements by the Company regarding its expected financial position, revenues, cash flows and other operating results, business position, legal proceedings or similar matters, are forward-looking statements. These statements are based on assumptions that the Company believes are reasonable, but are subject to a wide range of risks and uncertainties, and a number of factors could cause the Company's actual results to differ materially from those expressed in the forward-looking statements referred to above. Factors that would cause or contribute to such differences include, but are not limited to, 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, changes in contractual terms, the availability of capital, and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which relate only to events as of the date on which the statements are made and which reflect management's analysis, judgments, belief, or expectation only as of such date. Any and all of the forward-looking statements contained in this Form 10-Q and any other public statements by the Company or its management may turn out to be incorrect. The Company expressly disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements included in the 2019 Form 10-K. The Company believes its most critical accounting policies to be the recognition of revenue and costs on production contracts, income taxes, and the valuation of inventory. Each of these areas requires the Company to make use of reasoned estimates including estimating the cost to complete a contract, the realizable value of its inventory and the market value of its products. Changes in estimates can have a material impact on the Company's financial position and results of operations. The Company's significant accounting policies did not change during the six and three months ended October 31, 2019, except for those impacted by the newly adopted accounting standard regarding leases.

Revenue Recognition

Revenue is recognized when a performance obligation is satisfied, when the expected goods or services are transferred to the customer, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. A performance obligation is a distinct product or service that is transferred to the customer's control based on the contract. The transaction price is allocated to each performance obligation and is recognized as revenue upon satisfaction of that performance obligation. The Company derives revenue either as (i) units with specifications and frequencies that can be used by multiple customers (POT) or (ii) units with specific specifications and frequencies that are used by a specific customer or for government end use (POC).

Revenues under larger, long-term contracts which generally require billings based on achievement of milestones rather than delivery of product, are reported in operating results using the POC method. On fixed-price contracts, which are typical for commercial and U.S. Government satellite programs and other long-term U.S. Government projects, and which require initial design and development of the product, revenue is recognized on the cost-to-cost method. Under this method, revenue is recorded based upon the ratio that incurred costs bear to total estimated contract costs with related cost of sales recorded as the costs are incurred. Each month management reviews estimated contract costs through a process of aggregating actual costs incurred and estimating additional costs to completion based upon the current available information and status of the contract. In situations where the estimated costs to complete a project are revised, revenue earned to date is adjusted on a prospective basis. Provisions for the full amount of anticipated losses on contracts are made in the period in which they become determinable.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

On production-type orders, revenue is recorded as units are delivered with the related cost of sales recognized on each shipment based upon a percentage of estimated final program costs. Changes in job performance on long-term contracts and production-type orders may result in revisions to costs and income and are recognized in the period in which revisions are determined to be required. Provisions for anticipated losses on customer orders are made in the period in which they become determinable.

For customer orders in the Company's FEI-Zyfer segment or smaller contracts or orders in the FEI-NY segment, sales of products and services to customers are reported in operating results based upon (i) shipment of the product or (ii) performance of the services pursuant to terms of the customer order which then transfers control of the performance obligation to the customer. When payment is contingent upon customer acceptance of the installed product, revenue is deferred until such installation completed and acceptance is received.

Costs and Expenses

Contract costs include all direct material costs, direct labor costs, manufacturing overhead and other direct costs related to contract performance. Selling, general and administrative costs are expensed as incurred, with the exception of sales commissions with an amortization period of greater than one year which are amortized over the length of the contract in relation to the adoption of ASU 2014-09.

Inventory

In accordance with industry practice, inventoried costs contain amounts relating to contracts and programs with long production cycles, a portion of which will not be realized within one year. Inventory write-downs are established for slow-moving, obsolete items and costs incurred on programs for which production-level orders cannot be determined as probable. Such write-downs are based upon management's experience and expectations for future business. Any changes arising from revised expectations are reflected in cost of revenues in the period the revision is made.

Marketable Securities

All of the Company's investments in marketable securities are Level 1 securities which trade on public markets and have current prices that are readily available. In general, investments in fixed income securities are limited to the commercial paper of financially sound corporations or the bonds and shorter-term notes of U.S. Government agencies. Although the value of such investments may fluctuate significantly based on economic factors, the Company's own financial strength enables it to wait for the securities to either recover their value or to mature such that any interim unrealized gains or losses are deemed to be temporary.

RESULTS OF OPERATIONS

The table below sets forth for the six and three months ended October 31, 2019 and 2018, respectively, the percentage of consolidated revenues represented by certain items in the Company's condensed consolidated statements of operations or notes to the condensed consolidated financial statements:

	Six months		Three months	
	Periods ended October 31,			
	2019	2018	2019	2018
Revenues				
FEI-NY	77.6%	79.1%	85.7%	80.3%
FEI-Zyfer	26.3	22.0	22.0	20.9
Less intersegment revenues	(3.9)	(1.1)	(7.7)	(1.2)
	100.0	100.0	100.0	100.0
Cost of revenues	87.2	64.2	113.0	66.9
Gross margin	12.8	35.8	(13.0)	33.1
Selling and administrative expenses	21.9	22.4	25.2	21.8
Research and development expenses	17.3	14.1	16.0	13.2
Operating loss	(26.4)	(0.7)	(54.2)	(1.9)
Other income (loss), net	1.1	1.2	0.3	2.7
Provision (benefit) for income taxes	0.1	(0.1)	0.1	(0.2)
Net (loss) income	(25.4)%	0.6%	(54.0)%	1.0%

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

Revenues

	Six months				Three months			
	Periods ended October 31,							
Segment	2019	2018	Change		2019	2018	Change	
FEI-NY	$ 16,794	$ 18,322	$ (1,528)	(8.3)%	$ 7,784	$ 9,745	$ (1,961)	(20.1)%
FEI-Zyfer	5,701	5,103	598	11.7	2,000	2,542	(542)	(21.3)
Intersegment revenues	(854)	(272)	(582)	NM	(697)	(145)	(552)	NM
	$ 21,641	$ 23,153	$ (1,512)	(6.5)%	$ 9,087	$ 12,142	$ (3,055)	(25.2)%

For the six months ended October 31, 2019, revenues from commercial and U.S. Government satellite programs decreased approximately $1.9 million as compared to the same period of the previous fiscal year. For the six months ended October 31, 2019 and the six months ended October 31, 2018, revenue from commercial and U.S. Government satellite programs accounted for approximately 44% and 49%, respectively, of consolidated revenues. Revenues on these contracts are recognized primarily under the POC method. Revenues from the satellite market are recorded in the FEI-NY segment. Revenues from non-space U.S. Government/Department of Defense ("DOD") customers, which are recorded in both the FEI-NY and FEI-Zyfer segments, decreased $1.4 million as compared to the same period of fiscal 2019, and accounted for approximately 42% of consolidated revenues during the six months ended October 31, 2019 as compared to approximately 45% during this same period in fiscal 2019. Other commercial and industrial revenues for the six months ended October 31, 2019 accounted for approximately 14% of consolidated revenues as compared to 6% in the same period in fiscal 2019. Intersegment revenues are eliminated in consolidation.

For the three months ended October 31, 2019 revenues from commercial and U.S. Government satellite programs decreased approximately $200,000 as compared to the same period of fiscal 2019. For the three months ended October 31, 2019, revenues from commercial and U.S. Government satellite programs accounted for approximately 61% of consolidated revenues compared to approximately 48% during this same period in fiscal 2019. Revenues from non-space U.S. Government/DOD customers, which are recorded in both the FEI-NY and FEI-Zyfer segments, decreased $3.4 million as compared to the same period of fiscal 2019, and accounted for approximately 25% of consolidated revenues during the three months ended October 31, 2019 as compared to approximately 46% during this same period in fiscal 2019. Other commercial and industrial revenues for the three months ended October 31, 2019 and the three months ended October 31, 2018 accounted for approximately 14% and 6%, respectively of consolidated revenues.

Revenue for both the six and three months ended October 31, 2019, compared to the same period of the prior fiscal year, were impacted by timing slippage of anticipated contract awards.

Gross Margin

	Six months				Three months			
	Periods ended October 31,							
	2019	2018	Change		2019	2018	Change	
	$ 2,771	$ 8,293	$ (5,522)	(66.6)%	$ (1,182)	$ 4,019	$ (5,201)	NM
GM Rate	12.8%	35.8%			(13.0)%	33.1%		

For the six and three month periods ended October 31, 2019, gross margin and GM Rate decreased as compared to the same periods in fiscal 2019. The GM rate was impacted by increases in engineering costs incurred on several programs, which are in the development phase and which encountered unanticipated technical challenges related to customer driven system packaging and environmental requirements for state-of-the-art performance demands.

Selling and Administrative Expenses

Six months				Three months			
Periods ended October 31,							
2019	2018	Change		2019	2018	Change	
$ 4,743	$ 5,182	$ (439)	(8.5)%	$ 2,290	$ 2,642	$ (352)	(13.3)%

For the six months ended October 31, 2019 and 2018, selling and administrative ("SG&A") expenses were approximately 22%, of consolidated revenues for both periods. For the three months ended October 31, 2019 and 2018, SG&A expenses were approximately 25% and 22% respectively, of consolidated revenues. While SG&A expenses remained even as a percentage of consolidated revenue, during the six and three months ended October 31, 2019, as compared to the six and three months ended October 31, 2018, the actual dollars expenditures decreased by $439,000 and $352,000 respectively.

Research and Development Expense

Six months				Three months			
Periods ended October 31,							
2019	2018	Change		2019	2018	Change	
$ 3,731	$ 3,257	$ 474	14.6%	$ 1,450	$ 1,607	$ (157)	(9.8)%

Research and development ("R&D") expenditures represent investments intended to keep the Company's products at the leading edge of time and frequency technology and enhance future competitiveness. The R&D rate for the six months ended October 31, 2019 was 17% of sales compared to 14% of sales for the same period of the previous fiscal year. The R&D rate for the three months ended October 31, 2019 was 16% of sales as compared to 13% of sales for the same period of the previous fiscal year. The Company expects to maintain a high level of internally funded activity related to R&D through the balance of the current year and beyond to address new large opportunities, which it plans to pursue.

Operating Loss

Six months				Three months			
Periods ended October 31,							
2019	2018	Change		2019	2018	Change	
$ (5,703)	$ (146)	$ (5,557)	NM	$ (4,922)	$ (230)	$ (4,692)	NM

The increase in operating loss for both the six months and three months ended October 31, 2019, as compared to the respective periods in fiscal 2019 was attributable largely to the increased engineering costs described previously. The increased costs affect revenue, gross margin and operating loss.

Other Income (Expense)

	Six months				Three months			
	Periods ended October 31,							
	2019	2018	Change		2019	2018	Change	
Investment income	$ 224	$ 189	$ 35	18.5%	$ 45	$ 144	$ (99)	(68.8)%
Interest expense	(50)	(34)	(16)	47.1%	(25)	(17)	(8)	47.1%
Other income (expense), net	58	121	(63)	(52.1)%	2	195	(193)	(99.0)%
	$ 232	$ 276	$ (44)	(15.9)%	$ 22	$ 322	$ (300)	(93.2)%

Investment income is derived primarily from the Company's holdings of marketable securities. Earnings on securities may vary based on fluctuating interest rates, dividend payout levels, and the timing of purchases, sales, redemptions or maturities of securities. For the six-month period ended October 31, 2019 investment income includes a $125,000 dividend from Morion, compared to a $105,000 dividend from Morion in the same period in fiscal 2019.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

Income Tax Provision (Benefit)

	Six months				Three months			
	Periods ended October 31,							
	2019	2018	Change		2019	2018	Change	
	$ 29	$ (23)	$ 52	NM	$ 9	$ (30)	$ 39	NM
Effective tax rate on pre-tax book (loss) income:								
	(0.5)%	(17.7)%			(0.2)%	(32.6)%		

The estimated annual effective tax rate for the fiscal year ending April 30, 2020 is 0%. This calculation reflects estimated income tax expense (benefit) based on our current year forecasted earnings, which is offset by a corresponding change in the current year valuation allowance. As of October 31, 2019, and April 30, 2019, the Company maintained a full valuation allowance against its deferred tax assets.

For the six months ended October 31, 2019, the Company recorded a discrete income tax provision of $28,900, which primarily consisted of an accrual of interest for unrecognized tax benefits. For the six months ended October 31, 2018, the Company recorded an income tax benefit of $(22,600), which includes a discrete income tax provision of $36,700.

For the three months ended October 31, 2019, the Company recorded a discrete income tax provision of $9,400, which primarily consisted of an accrual of interest for unrecognized tax benefits. For the three months ended October 31, 2018, the Company recorded an income tax benefit of $(29,700), which includes a discrete income tax provision of $18,400.

The effective tax rate for the six months ended October 31, 2019 was an income tax provision of (0.5) % on a pretax loss of $5,808,000 compared to an income tax benefit of (17.7) % on pretax income of $130,000 in the comparable prior year period. The effective tax rate for the six months ended October 31, 2019 differs from the U.S. statutory rate of 21% primarily due to a discrete income tax provision related to the accrual of interest for unrecognized tax benefits and domestic losses for which the Company is not recognizing an income tax benefit.

The effective tax rate for the three months ended October 31, 2019 was an income tax provision of (0.2) % on a pretax loss of $5,237,000 compared to an income tax benefit of (32.6) % on pretax income of $92,000 in the comparable prior year period. The effective tax rate for the three months ended October 31, 2019 differs from the U.S. statutory rate of 21% primarily due to a discrete income tax provision related to the accrual of interest for unrecognized tax benefits and domestic losses for which the Company is not recognizing an income tax benefit.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet continues to reflect a strong working capital position of $40.7 million at October 31, 2019 and $46.9 million at April 30, 2019. Included in working capital at October 31, 2019 and April 30 2019, is $11.0 million and $11.9 million, respectively, consisting of cash, cash equivalents, and marketable securities. The Company's current ratio at October 31, 2019 was 5.9 to 1.

Cash provided by operations for the six months ended October 31, 2019 was $180,000 compared to $1.1 million of cash used in operations in the comparable fiscal 2019 period. The increase cash flow in the fiscal 2020 period resulted primarily from a decrease in accounts receivable balances. For the six-month periods ended October 31, 2019 and 2018, the Company incurred approximately $3.9 million and $2.2 million, respectively, of non-cash operating expenses including ROU assets and liabilities for leases, loss provision accrual, depreciation and amortization, inventory reserve adjustments, and accruals for employee benefit programs.

Net cash used in investing activities for the six months ended October 31, 2019 was $1.3 million compared to $2.6 million for the six months ended October 31, 2018. During the fiscal 2020 period, marketable securities were sold or redeemed in the amount of $2.5 million compared to $947,000 of such redemptions during the comparable fiscal 2019 period. During the six months ended October 31, 2019 approximately $2.5 million of marketable securities were purchased compared to $2.2 million for the same period of fiscal 2019. The Company acquired property, plant and equipment in the amount of approximately $1.3 million for the six-month periods ended October 31, 2019 and 2018. The Company may continue to invest in cash equivalents as dictated by its investment strategy.

There was no cash provided by financing activities for either the six months ended October 31, 2019 or 2018.

The Company has been authorized by its Board of Directors to repurchase up to $5 million worth of shares of its common stock when appropriate opportunities arise. As of October 31, 2019, the Company has repurchased approximately $4 million of its common stock out of the $5 million authorization. For the six months ended October 31, 2019 and 2018, there were no repurchases of shares.

The Company will continue to expend resources to develop, improve and acquire products for space applications, guidance and targeting systems, and communication systems which management believes will result in future growth and profitability. The Company anticipates securing additional customer funding for a portion of its R&D activities and will allocate internal funds depending on market conditions and identification of new opportunities. The Company expects internally generated cash will be adequate to fund these R&D efforts. The Company may also pursue acquisitions to expand its range of products and may use internally generated cash and external funding in connection with such acquisitions.

As of October 31, 2019, the Company's consolidated funded backlog was approximately $40 million compared to $37 million at April 30, 2019, the end of fiscal 2019. Approximately 81% of this backlog is expected to be realized in the next twelve months. As of October 31, 2019, there were no amounts included in backlog under cost-plus fixed-fee ("CPFF") contracts that have not been funded. The Company excludes from backlog any contracts or awards for which it has not received authorization to proceed. On fixed price contracts, the Company excludes any unfunded portion. Over time, as partially funded contracts become fully funded, the Company will add the additional funding to its backlog. The backlog is subject to change for various reasons, including possible cancellation of orders, change orders, terms of the contracts and other factors beyond the Company's control. Accordingly, the backlog is not necessarily indicative of the revenues or profits (losses) which may be realized when the results of such contracts are reported.

The Company believes that its liquidity is adequate to meet its operating and investment needs through at least December 17, 2020 and the foreseeable future.

The Company's international business may be subject to changes where contracts are delineated in currencies other than the US Dollar.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements, other than operating leases, that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on their evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of October 31, 2019, the Company's disclosure controls and procedures were effective to ensure that information relating to the Company, including its consolidated subsidiaries, required to be included in its reports that it filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended October 31, 2019 to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

31.1 - Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 - Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 - Certifications by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101- The following materials from the Frequency Electronics, Inc. Quarterly Report on Form 10-Q for the quarter ended October 31, 2019 formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity and (v) Notes to Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FREQUENCY ELECTRONICS, INC.
(Registrant)

Date: December 16, 2019

By: /s/ Steven L. Bernstein
Steven L. Bernstein
Chief Financial Officer, Secretary and Treasurer
Signing on behalf of the registrant and as principal financial officer

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Stanton Sloane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Frequency Electronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Stanton Sloane   December 16, 2019
Stanton Sloane
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Steven L. Bernstein, certify that

1. I have reviewed this quarterly report on Form 10-Q of Frequency Electronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Steven L. Bernstein December 16, 2019
Steven L. Bernstein
Chief Financial Officer, Secretary and Treasurer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Certification of CEO

In connection with the Quarterly Report of Frequency Electronics, Inc. (the "Company") on Form 10-Q for the period ended October 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanton Sloane, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stanton Sloane — December 16, 2019
Stanton Sloane
President and Chief Executive Officer

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Certification of CFO

In connection with the Quarterly Report of Frequency Electronics, Inc. (the "Company") on Form 10-Q for the period ended October 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven L. Bernstein, Chief Financial Officer, Secretary and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven L. Bernstein — December 16, 2019
Steven L. Bernstein
Chief Financial Officer, Secretary and Treasurer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request**.**

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.