

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, 2023

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

(State or other jurisdiction of
incorporation or organization)

11-1986657

(I.R.S. Employer Identification No.)

55 CHARLES LINDBERGH BLVD., MITCHEL FIELD, NY

(Address of principal executive offices)

11553

(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 (§232.405 of this chapter) 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

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting 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 per share, as of December 11, 2023 – 9,415,417

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)

	<u>October 31,</u> <u>2023</u>	<u>April 30,</u> <u>2023</u>
	(UNAUDITED)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 8,708	\$ 12,049
Accounts receivable, net of allowance for doubtful accounts of \$111 at October 31, 2023 and April 30, 2023	3,781	4,622
Contract assets	12,474	10,009
Inventories	23,071	20,526
Prepaid income taxes	30	30
Prepaid expenses and other	1,639	1,071
Total current assets	49,703	48,307
Property, plant, and equipment, net	6,436	7,093
Goodwill	617	617
Cash surrender value of life insurance	10,404	10,220
Other assets	876	877
Right-of-use assets – operating leases	6,693	7,382
Total assets	\$ 74,729	\$ 74,496
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 1,245	\$ 1,464
Accrued liabilities	4,049	3,934
Loss provision accrual	1,481	1,544
Operating lease liability - current portion	1,769	1,753
Contract liabilities	16,435	18,586
Total current liabilities	24,979	27,281
Deferred compensation	8,229	8,314
Deferred taxes	8	8
Operating lease liability – non-current portion	5,126	5,883
Other liabilities	131	124
Total liabilities	38,473	41,610
Stockholders' equity:		
Preferred stock - \$1.00 par value; authorized 600 shares, no shares issued	-	-
Common stock - \$1.00 par value; authorized 20,000 shares, 9,404 shares issued and 9,403 shares outstanding at October 31, 2023; 9,374 shares issued and 9,373 shares outstanding at April 30, 2023	9,405	9,374
Additional paid-in capital	49,636	49,136
Accumulated deficit	(22,782)	(25,621)
Common stock reacquired and held in treasury - at cost (1 share at October 31, 2023 and April 30, 2023)	(3)	(3)
Accumulated other comprehensive income	-	-
Total stockholders' equity	36,256	32,886
Total liabilities and stockholders' equity	\$ 74,729	\$ 74,496

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except per share data)
(Unaudited)

	Three Months Ended October		Six Months Ended October 31,	
	31,			
	2023	2022	2023	2022
<u>Condensed Consolidated Statements of Operations</u>				
Revenues	\$ 13,575	\$ 8,949	\$ 25,984	\$ 17,153
Cost of revenues	9,245	8,599	16,786	16,808
Gross margin	4,330	350	9,198	345
Selling and administrative expenses	2,552	2,034	4,853	4,026
Research and development expenses	840	599	1,347	1,709
Operating income (loss)	938	(2,283)	2,998	(5,390)
Other income (expense):				
Investment (expense) income	(106)	(12)	(86)	24
Interest expense	(29)	(18)	(60)	(63)
Income (loss) before provision for income taxes	803	(2,313)	2,852	(5,429)
Provision for income taxes	6	1	13	2
Net income (loss)	<u>\$ 797</u>	<u>\$ (2,314)</u>	<u>\$ 2,839</u>	<u>\$ (5,431)</u>
Net income (loss) per common share:				
Basic and diluted income (loss) per share	<u>\$ 0.08</u>	<u>\$ (0.25)</u>	<u>\$ 0.30</u>	<u>\$ (0.58)</u>
Weighted average shares outstanding:				
Basic and diluted	<u>9,399</u>	<u>9,326</u>	<u>9,392</u>	<u>9,317</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>				
Net income (loss)	<u>\$ 797</u>	<u>\$ (2,314)</u>	<u>\$ 2,839</u>	<u>\$ (5,431)</u>
Unrealized loss on marketable securities:				
Change in market value of marketable securities before reclassification, net of tax	-	(581)	-	(552)
Reclassification adjustment for realized gains included in net income (loss), net of tax	-	16	-	1
Total unrealized loss on marketable securities, net of tax	-	(565)	-	(551)
Comprehensive income (loss)	<u>\$ 797</u>	<u>\$ (2,879)</u>	<u>\$ 2,839</u>	<u>\$ (5,982)</u>

See accompanying notes to condensed consolidated financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Six Months Ended October 31,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ 2,839	\$ (5,431)
Non-cash charges to earnings	2,191	1,209
Net changes in operating assets and liabilities	(8,011)	3,756
Net cash used in operating activities	(2,981)	(466)
Cash flows from investing activities:		
Proceeds on redemption of marketable securities	-	1,137
Purchase of marketable securities	-	(1,383)
Purchase of property, plant, and equipment, and other assets	(360)	(729)
Net cash used in investing activities	(360)	(975)
Cash flows from financing activities:		
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	(3,341)	(1,441)
Cash and cash equivalents at beginning of period	12,049	11,561
Cash and cash equivalents at end of period	\$ 8,708	\$ 10,120
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 60	\$ 36
Income taxes	\$ 9	-
Cash refunded during the period for:		
Income taxes	\$ -	\$ 176

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, 2023 and 2022
(In thousands, except share data)
(Unaudited)

	Common Stock		Additional paid in capital	Accumulated Deficit	Treasury stock (at cost)		Accumulated other comprehensive Income (loss)	Total
	Shares	Amount			Shares	Amount		
Balance at April 30, 2023	9,373,776	\$ 9,374	\$ 49,136	\$ (25,621)	741	\$ (3)	\$ -	\$ 32,886
Contribution of stock to 401(k) plan	17,013	17	96	-	-	-	-	113
Stock-based compensation expense	-	-	128	-	-	-	-	128
Net income	-	-	-	2,042	-	-	-	2,042
Balance at July 31, 2023	9,390,789	\$ 9,391	\$ 49,360	\$ (23,579)	741	\$ (3)	\$ -	\$ 35,169
Contribution of stock to 401(k) plan	12,885	13	75	-	-	-	-	88
Stock-based compensation expense	750	1	201	-	-	-	-	202
Net income	-	-	-	797	-	-	-	797
Balance at October 31, 2023	9,404,424	\$ 9,405	\$ 49,636	\$ (22,782)	741	\$ (3)	\$ -	\$ 36,256

	Common Stock		Additional paid in capital	Accumulated Deficit	Treasury stock (at cost)		Accumulated other comprehensive Income (loss)	Total
	Shares	Amount			Shares	Amount		
Balance at April 30, 2022	9,298,178	\$ 9,298	\$ 57,956	\$ (20,120)	1,375	\$ (6)	\$ (440)	\$ 46,688
Contribution of stock to 401(k) plan	16,708	17	105	-	-	-	-	122
Stock-based compensation expense	-	-	(25)	-	-	-	-	(25)
Other comprehensive income, net of tax	-	-	-	-	-	-	14	14
Net loss	-	-	-	(3,117)	-	-	-	(3,117)
Balance at July 31, 2022	9,314,886	\$ 9,315	\$ 58,036	\$ (23,237)	1,375	\$ (6)	\$ (426)	\$ 43,682
Contribution of stock to 401(k) plan	18,632	18	89	-	-	-	-	107
Stock-based compensation expense	750	1	28	-	-	-	-	29
Other comprehensive loss, net of tax	-	-	-	-	-	-	(565)	(565)
Net loss	-	-	-	(2,314)	-	-	-	(2,314)
Balance at October 31, 2022	9,334,268	\$ 9,334	\$ 58,153	\$ (25,551)	1,375	\$ (6)	\$ (991)	\$ 40,939

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 condensed consolidated financial position of the Company as of October 31, 2023 and the results of its operations, changes in stockholders’ equity for the three and six months ended October 31, 2023 and 2022, and cash flows for the six months ended October 31, 2023 and 2022. The April 30, 2023 condensed consolidated balance sheet was derived from audited financial statements. These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended April 30, 2023, filed on July 27, 2023 with the Securities and Exchange Commission (the “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 (LOSS) PER SHARE

Reconciliation of the weighted average shares outstanding for basic and diluted income (loss) per share (“EPS”) for the three and six months ended October 31, 2023 and 2022, respectively, were as follows:

	Periods ended October 31,			
	Three months		Six months	
	2023	2022	2023	2022
Weighted average shares outstanding:				
Basic EPS shares outstanding (weighted average)	9,399,052	9,326,347	9,391,714	9,317,143
Effect of dilutive securities	**	**	**	**
Diluted EPS shares outstanding	<u>9,399,052</u>	<u>9,326,347</u>	<u>9,391,714</u>	<u>9,317,143</u>

** For the three and six months ended October 31, 2023 and 2022, dilutive securities are excluded from the calculation of EPS since the inclusion of such shares would be antidilutive. The exercisable shares excluded for the three and six months ended October 31, 2023 was 97,000 shares. The exercisable shares excluded for the three and six months ended October 31, 2022 was 243,625 shares.

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

NOTE C – CONTRACT (LIABILITIES) ASSETS

At October 31, 2023 and April 30, 2023, contract assets and contract liabilities, consisted of the following (in thousands):

	<u>October 31, 2023</u>	<u>April 30, 2023</u>
Contract assets	\$ 12,474	\$ 10,009
Contract liabilities	(16,435)	(18,586)

Contract assets represent revenue recognized on long-term contracts that have not been billed at the balance sheet dates, and contract liabilities represent a liability for amounts billed in excess of the revenue recognized. Amounts are billed to customers pursuant to contract terms. In general, the recorded amounts will be billed and collected or revenue recognized within twelve months of the balance sheet dates. Revenue on these long-term contracts are accounted for over time using the percentage-of-completion (“POC”) method. Fluctuations of contract assets and contract liabilities are due to the timing of funding, amounts billed and revenue recorded. Contract assets increased \$2.5 million during the six months ended October 31, 2023, primarily due to revenue recognized during the six months ended October 31, 2023 for which we have not yet billed our customers. Contract liabilities decreased \$2.2 million during the six months ended October 31, 2023, primarily due to revenue recognized on these performance obligations. During the three and six months ended October 31, 2023, we recognized \$4.4 million and \$8.1 million, respectively, of our contract liabilities at April 30, 2023 as revenue. During the three and six months ended October 31, 2022, we recognized \$1.9 million and \$4.4 million, respectively, of our contract liabilities at April 30, 2022 as revenue. During the three and six months ended October 31, 2023, revenue recognized under POC contracts was approximately \$12.3 million and \$24.0 million, respectively. During the three and six months ended October 31, 2022, revenue recognized under POC contracts was approximately \$8.7 million and \$16.6 million, respectively. If contract losses are anticipated, a loss provision is recorded for the full amount of such losses when they are determinable. Total contract losses, recorded in cost of revenue, for the three and six months ended October 31, 2023 were approximately \$1.4 million and \$1.5 million, respectively. Total contract losses, recorded in cost of revenue, for the three and six months ended October 31, 2022 were approximately \$0.7 million and \$2.0 million, respectively.

NOTE D – EMPLOYEE BENEFIT PLANS

During the three and six months ended October 31, 2023, the Company made contributions of 12,885 and 29,898 shares, respectively, of its common stock 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.

Deferred compensation expense charged to selling and administrative expenses during the three and six months ended October 31, 2023, was approximately \$109,000 and \$217,000, respectively. Payments made related to deferred compensation, inclusive of approximately \$29,000 and \$60,000, respectively, of interest expense, were approximately \$175,000 and \$361,000 for the same periods. Deferred compensation expense charged to selling and administrative expenses during the three and six months ended October 31, 2022, was approximately \$109,000 and \$218,000, respectively. Payments made related to deferred compensation, inclusive of approximately \$18,000 and \$36,000, respectively, of interest expense were approximately \$159,000 and \$320,000 for the same periods.

NOTE E – INVENTORIES

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

	<u>October 31, 2023</u>	<u>April 30, 2023</u>
Raw materials and component parts	\$ 14,193	\$ 12,460
Work in progress	8,336	7,547
Finished goods	542	519
	<u>\$ 23,071</u>	<u>\$ 20,526</u>

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

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

The Company’s leases primarily represent offices, warehouses, vehicles, manufacturing facilities and Research and Development (“R&D”) facilities which expire at various times through 2029 and are operating leases. Contractual arrangements are evaluated at inception to determine if the agreement contains a lease.

New York lease. In February 2019, the Company entered into an agreement to lease a building to be used as a corporate headquarters office and manufacturing facility in Mitchell Field, NY (“New York lease”). The New York lease expires September 30, 2029 and contains renewal options, early termination, rent abatement, and escalation clauses that are factored into our determination of lease payments when appropriate. We include options to extend or terminate leases in the Right-of-Use (“ROU”) operating lease asset and liability when it is reasonably certain we will exercise these options. As of October 31, 2023, lease options were not included in the calculation of the ROU operating lease asset and liability. 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.

California lease. In October 2017, the Company entered into an agreement to lease a building to be used as an office and manufacturing facility in Garden Grove, CA (“California lease”). The California lease expires January 31, 2025 and contains renewal options, early termination, rent abatement, and escalation clauses that are factored into our determination of lease payments when appropriate. We include options to extend or terminate leases in the ROU operating lease asset and liability when it is reasonably certain we will exercise these options. As of October 31, 2023, lease options were not included in the calculation of the ROU operating lease asset and liability. 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.

New Jersey lease. In February 2022, the Company entered into an agreement to lease a building to be used as an office and manufacturing facility in Northvale, NJ (“New Jersey lease”). The New Jersey lease expires January 31, 2025 and contains renewal options, early termination, rent abatement, and escalation clauses that are factored into our determination of lease payments when appropriate. We include options to extend or terminate leases in the ROU operating lease asset and liability when it is reasonably certain we will exercise these options. As of October 31, 2023, lease options were not included in the calculation of the ROU operating lease asset and liability. 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.

The Company elected the practical expedient for short-term leases which allows leases with terms of 12 months or less to be recorded on a straight-line basis over the lease term without being recognized on the consolidated balance sheets.

The table below presents ROU assets and liabilities recorded on the respective consolidated balance sheets as follows (in thousands):

	Classification	October 31, 2023	April 30, 2023
Assets			
Operating lease ROU assets	ROU assets - operating leases	\$ 6,693	\$ 7,382
Liabilities			
Operating lease liabilities (short-term)	Operating lease liability - current portion	1,769	1,753
Operating lease liabilities (long-term)	Operating lease liability - non-current portion	5,126	5,883
Total lease liabilities		<u>\$ 6,895</u>	<u>\$ 7,636</u>

Total operating lease expense was \$466,000 and \$921,000 for the three and six months ended October 31, 2023, respectively, 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. Total operating lease expense was \$481,000 and \$962,000 for the three and six months ended October 31, 2022, respectively, 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.

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

The table below reconciles the undiscounted cash flows for each of the first four fiscal years and total of the remaining fiscal years to the operating lease liabilities recorded on the unaudited condensed consolidated balance sheet as of October 31, 2023:

Fiscal Year Ending April 30, (in thousands)	
Remainder of 2024	\$ 815
2025	1,844
2026	1,328
2027	937
2028	1,262
Thereafter	1,976
Total lease payments	8,162
Less imputed interest	(1,267)
Present value of future lease payments	6,895
Less current obligations under leases	(1,769)
Long-term lease obligations	5,126

As of October 31, 2023 and 2022, the weighted-average remaining lease term for all operating leases was 5.27 years and 5.97 years, respectively. The Company does not generally have access to the rate implicit in the leases and therefore selected a rate that is reflective of companies with similar credit ratings for secured debt as the discount rate. The weighted average discount rate for operating leases as of October 31, 2023 and 2022, was 6.28% and 6.19%, respectively.

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: communication 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 communication 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. This segment also provides sales and support for the Company’s wireline telecommunications family of products, including US5G, which are sold in the U.S. market.

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 “Note 1. Summary of Accounting Policies” to the consolidated financial statements included in the Form 10-K. The Company evaluates the performance of its segments and allocates resources to them based on operating profit (loss), which is defined as income before investment (expense) income, interest expense, other income (expense), and taxes. All acquired assets, including intangible assets, are included in the assets of the applicable reporting segment.

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

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 consolidated balance sheets for each of the periods (in thousands):

	Periods ended October 31,			
	Three months		Six months	
	2023	2022	2023	2022
Revenues:				
FEI-NY	\$ 9,271	\$ 7,680	\$ 18,762	\$ 14,534
FEI-Zyfer	4,756	1,561	8,023	3,292
less intersegment revenues	(452)	(292)	(801)	(673)
Consolidated revenues	<u>\$ 13,575</u>	<u>\$ 8,949</u>	<u>\$ 25,984</u>	<u>\$ 17,153</u>
Operating income (loss):				
FEI-NY	\$ (231)	\$ (1,389)	\$ 1,249	\$ (3,978)
FEI-Zyfer	1,484	(792)	2,163	(1,230)
less intersegment profit	(79)	-	(140)	-
Corporate	(236)	(102)	(274)	(182)
Consolidated operating income (loss)	<u>\$ 938</u>	<u>\$ (2,283)</u>	<u>\$ 2,998</u>	<u>\$ (5,390)</u>

	October 31, 2023	April 30, 2023
Identifiable assets:		
FEI-NY	\$ 37,315	\$ 39,005
FEI-Zyfer	13,369	10,699
less intersegment balances	(198)	(58)
Corporate	24,243	24,850
Consolidated identifiable assets	<u>\$ 74,729</u>	<u>\$ 74,496</u>

Total revenue recognized over time as POC and Passage of Title (“POT”) was approximately \$12.3 million and \$1.3 million, respectively, of the \$13.6 million reported for the three months ended October 31, 2023. Total revenue recognized over time as POC and POT was approximately \$24.0 million and \$2.0 million, respectively, of the \$26.0 million reported for the six months ended October 31, 2023. Total revenue recognized over time as POC and POT was approximately \$8.7 million and \$0.3 million, respectively, of the \$9.0 million reported for the three months ended October 31, 2022. Total revenue recognized over time as POC and POT was approximately \$16.6 million and \$0.5 million, respectively, of the \$17.2 million reported for the six months ended October 31, 2022. The amounts by segment and product line were as follows (in thousands):

	Three Months Ended October 31,					
	2023			2022		
	POC Revenue	POT Revenue	Total Revenue	POC Revenue	POT Revenue	Total Revenue
FEI-NY	\$ 7,894	\$ 1,377	\$ 9,271	\$ 7,173	\$ 507	\$ 7,680
FEI-Zyfer	4,402	354	4,756	1,481	80	1,561
Intersegment	-	(452)	(452)	-	(292)	(292)
Revenues	<u>\$ 12,296</u>	<u>\$ 1,279</u>	<u>\$ 13,575</u>	<u>\$ 8,654</u>	<u>\$ 295</u>	<u>\$ 8,949</u>

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

	Six Months Ended October 31,					
	2023			2022		
	POC Revenue	POT Revenue	Total Revenue	POC Revenue	POT Revenue	Total Revenue
FEI-NY	\$ 16,569	\$ 2,193	\$ 18,762	\$ 13,451	\$ 1,083	\$ 14,534
FEI-Zyfer	7,449	574	8,023	3,156	136	3,292
Intersegment	-	(801)	(801)	-	(673)	(673)
Revenues	\$ 24,018	\$ 1,966	\$ 25,984	\$ 16,607	\$ 546	\$ 17,153

	Periods ended October 31,			
	Three months		Six months	
	2023	2022	2023	2022
	Revenues by product line:			
Satellite revenue	\$ 4,664	\$ 4,333	\$ 9,522	\$ 7,808
Government non-space revenue	8,201	3,918	15,080	7,983
Other commercial & industrial revenue	710	698	1,382	1,362
Consolidated revenues	\$ 13,575	\$ 8,949	\$ 25,984	\$ 17,153

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 has also licensed certain technology to Morion. During the three and six months ended October 31, 2023, the Company did not acquire any product from Morion. During the three and six months ended October 31, 2022, the Company acquired product from Morion in the aggregate amount of approximately \$31,000 for both periods.

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. Morion is a less than wholly owned subsidiary of Gazprombank, a state-owned Russian bank. The U.S. Ukraine-related sanctions regime has since 2014 included a list of sectoral sanctions identifications (“SSI”) pursuant to Executive Order 13662, which prohibits certain transactions, including certain extensions of credit, with an entity designated as an SSI or certain affiliates of an entity designated as an SSI. On July 16, 2014, after the Company’s investment in Morion, Gazprombank was designated as an SSI.

Due to the current Russia-Ukraine conflict and resulting sanctions, the future status of the Company’s equity investment in Morion is uncertain. In response to these conditions, in connection with the preparation of the audited financial statements included in the Form 10-K for the fiscal year ended April 30, 2022, as amended, the Company impaired its investment in Morion in full. The likelihood of future sales to, purchases from, and dividend payments from Morion is remote.

NOTE I – RECENT ACCOUNTING PRONOUNCEMENTS

In November 2023, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”), which expands on the required disclosure of incremental segment information. The new guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company expects the new standard to have an immaterial effect on its consolidated financial statements when adopted in fiscal year 2025.

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

NOTE J – CREDIT FACILITY

As of October 31, 2023, the Company neither had any borrowings nor any borrowing capacity pursuant to a credit facility. As of April 30, 2023, the Company retired its advisory credit arrangement with UBS Bank USA. Prior to retiring the advisory credit arrangement, no borrowings were made during fiscal 2023.

NOTE K – DEFERRED INCOME TAXES

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 realization 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, 2023, and April 30, 2023, 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 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, our inability to integrate operations and personnel, actions by significant customers or competitors, general domestic and international economic conditions, reliance on key customers, including the U.S government, 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 the outcome of any litigation and arbitration proceedings. The factors listed above are not exhaustive. Other sections of this Form 10-Q and in Part I, Item 1A (Risk Factors) of the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2023 (the "Form 10-K") include additional factors that could materially and adversely impact the Company's business, financial condition and results of operations. Moreover, the Company operates in a very competitive and rapidly changing environment. New factors emerge from time to time and it is not possible for management to predict the impact of all these factors on the Company's business, financial condition or results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Form 10-Q and any other public statement made 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 statements, whether as a result of new information, future events or otherwise, except as required by law.

Critical Accounting Policies and Estimates

The Company believes its most critical accounting policies to be the recognition of revenue and costs on production contracts and the valuation of inventory. Both of these areas require the Company to make use of reasonable 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 three and six months ended October 31, 2023.

Revenue Recognition

Revenues are reported in operating results predominantly over time using 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 revenues 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 regarding labor, outside services, materials, overhead costs, and status of the contract. The effect of any change in the estimated gross margin rate ("GM Rate") for a contract is reflected in revenues in the period in which the change is known. Provisions for the full amount of anticipated losses on contracts are made in the period in which they become determinable.

Significant judgment is used in evaluating the financial information for certain contracts to determine an appropriate budget and estimated cost. The Company evaluates this information continuously and bases its judgments on historical experience, design specifications, and expected costs for material and labor.

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 materials based on percentage of usage over a ten-year period, obsolete items on a gradual basis over five years with no usage 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 estimates for future business. Any changes arising from revised estimates are reflected in cost of revenues in the period the revision is made.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

RESULTS OF OPERATIONS

The table below sets forth for the three and six months ended October 31, 2023 and 2022, 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:

	Three months		Six months	
	Periods ended October 31,			
	2023	2022	2023	2022
Revenues				
FEI-NY	68.3%	85.8%	72.2%	84.7%
FEI-Zyfer	35.0	17.4	30.9	19.2
Less intersegment revenues	(3.3)	(3.2)	(3.1)	(3.9)
	100.0	100.0	100.0	100.0
Cost of revenues	68.1	96.1	64.6	98.0
Gross margin	31.9	3.9	35.4	2.0
Selling and administrative expenses	18.8	22.7	18.7	23.4
Research and development expenses	6.2	6.7	5.2	10.0
Operating income (loss)	6.9	(25.5)	11.5	(31.4)
Other loss, net	(1.0)	(0.4)	(0.7)	(0.3)
Provision for income taxes	-	-	0.1	-
Net income (loss)	5.9%	(25.9)%	10.9%	(31.7)%

Revenues

Segment	Three months				Six months			
	Periods ended October 31,							
	(in thousands)							
	2023	2022	Change		2023	2022	Change	
FEI-NY	\$ 9,271	\$ 7,680	\$ 1,591	20.7%	\$ 18,762	\$ 14,534	\$ 4,228	29.1%
FEI-Zyfer	4,756	1,561	3,195	204.7	8,023	3,292	4,731	143.7
Intersegment revenues	(452)	(292)	(160)	54.8	(801)	(673)	(128)	19.0
	\$ 13,575	\$ 8,949	\$ 4,626	51.7%	\$ 25,984	\$ 17,153	\$ 8,831	51.5%

For the three months ended October 31, 2023, revenues from commercial and U.S. Government communication satellite programs accounted for approximately 34% of consolidated revenues compared to approximately 48% of consolidated revenues during this same period in the prior fiscal year. Revenues are recognized primarily over time 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, accounted for approximately 60% of consolidated revenues for the three months ended October 31, 2023 compared to approximately 44% of consolidated revenue during the same period in the prior fiscal year. Other commercial and industrial revenues for the three months ended October 31, 2023 accounted for approximately 5% of consolidated revenue compared to 8% in the same period of the prior fiscal year. The significant increase in revenue for this quarter, compared to the same quarter in the previous fiscal year, was in both segments and primarily related to contract awards coming in, resolution of technical problems from the previous fiscal year, and improvements made by management.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

For the six months ended October 31, 2023, revenues from commercial and U.S. Government communication satellite programs accounted for approximately 37% of consolidated revenues compared to approximately 46% of consolidated revenues during this same period in the prior fiscal year. Revenues are recognized primarily over time under the POC method. Revenues from the satellite market are recorded in the FEI-NY segment. Revenues from non-space U.S. Government/DOD customers, which are recorded in both the FEI-NY and FEI-Zyfer segments, accounted for approximately 58% of consolidated revenues for the six months ended October, 31, 2023 compared to approximately 47% of consolidated revenue during the same period in the prior fiscal year. Other commercial and industrial revenues for the six months ended October 31, 2023 accounted for approximately 5% of consolidated revenue compared to 8% in the same period of the prior fiscal year. The significant increase in revenue for this period, compared to the same period in the previous fiscal year, was in both segments and primarily related to contract awards coming in, resolution of technical problems from the previous fiscal year, and improvements made by management.

Gross Margin

	Three months			Six months				
	Periods ended October 31, (in thousands)							
	2023	2022	Change	2023	2022	Change		
Gross margin rate	\$ 4,330	\$ 350	\$ 3,980	1,137.1%	\$ 9,198	\$ 345	\$ 8,853	2,566.1%
	31.9%	3.9%		35.4%	2.0%			

For the three and six months ended October 31, 2023, gross margin (“GM”) and GM Rate increased compared to the same period in the prior fiscal year. The gross margin dollars increased as a direct result of the increase in revenue. The GM Rate increased significantly due to the fact that many of the technical challenges faced in the prior fiscal year have been resolved and, as a result, the related programs are now moving forward and running more efficiently. Previous programs that sustained lower margins due to technical issues are near completion, or have been completed.

Selling, General, and Administrative Expenses

	Three months			Six months				
	Periods ended October 31, (in thousands)							
	2023	2022	Change	2023	2022	Change		
	\$ 2,552	\$ 2,034	\$ 518	25.5%	\$ 4,853	\$ 4,026	\$ 827	20.6%

For the three months ended October 31, 2023 and 2022, selling, general, and administrative (“SG&A”) expenses were approximately 19% and 23%, respectively, of consolidated revenues. The percentage of consolidated revenue decreased 4% due to an increase in sales for the three months ended October 31, 2023 as compared to the three months ended October 31, 2022. The increase in SG&A expenses for the three months ended October 31, 2023 as compared to the prior year period was largely due to an increase in professional fees and payroll and associated costs.

For the six months ended October 31, 2023 and 2022 SG&A expenses were approximately 19% and 23%, respectively, of consolidated revenues. The percentage of consolidated revenue decreased 5% due to an increase in sales for the six months ended October 31, 2023 as compared to the six months ended October 31, 2022. The increase in SG&A expenses for the six months ended October 31, 2023 as compared to the prior year period was largely due to an increase in professional fees and payroll and associated costs.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

Research and Development Expenses

Three months				Six months			
Periods ended October 31, (in thousands)							
2023		2022		Change		Change	
\$	840	\$	599	\$	241	40.2%	(21.2)%
\$	1,347	\$	1,709	\$	(362)	(21.2)%	

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 change in R&D expenditures for the three and six months ended October 31, 2023, was primarily due to a shift of employees between production and development depending upon availability, scheduling and necessity. The Company plans to continue to invest in R&D in the future to keep its products at the state of the art.

Operating Income (Loss)

Three months				Six months			
Periods ended October 31, (in thousands)							
2023		2022		Change		Change	
\$	938	\$	(2,283)	\$	3,221	141.1%	155.6%
\$	2,998	\$	(5,390)	\$	8,388	155.6%	

For the three and six months ended October 31, 2023, operating income increased due to a combination of increased revenue and gross margin, and the effects of certain cost cutting measures instituted by management that began in fiscal year 2023.

Other Income (Expense), net

	Three months				Six months									
	Periods ended October 31, (in thousands)													
	2023		2022		Change		Change							
Investment (expense) income	\$	(106)	\$	(12)	\$	(94)	783.3%	\$	(86)	\$	24	\$	(110)	(458.3)%
Interest expense		(29)		(18)		(11)	61.1%		(60)		(63)		3	(4.8)%
	\$	(135)	\$	(30)	\$	(105)	350.0%	\$	(146)	\$	(39)	\$	(107)	274.4%

Other income (expense), net is derived from various sources. The income can come from reclaiming of metal, refunds, interest on deferred trust assets, or the sale of a fixed asset. Interest expense is related to the deferred compensation payments made to retired employees.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

Provision for Income Tax

Three months				Six months			
Periods ended October 31, (in thousands)							
2023		2022		Change		Change	
2023	2022	2023	2022	2023	2022	2023	2022
\$ 6	\$ 1	\$ 5	500.0%	\$ 13	\$ 2	\$ 11	550.0%
				Three months		Six months	
				Periods ended October 31,			
				2023	2022	2023	2022
Effective tax rate on pre-tax book income (loss):				0.7%	0.0%	0.5%	0.0%

The estimated annual effective tax rate for the fiscal year ending April 30, 2024 is 0%. This calculation reflects estimated income tax expense based on our current year annual pretax income forecast which is offset by the estimated change in the current year valuation allowance. The Company maintains a full valuation allowance against its deferred tax assets.

For the three months ended October 31, 2023, the Company recorded an income tax provision of \$6,000 primarily related to state income taxes and discrete income tax provision related to an accrual of interest for unrecognized tax benefits. For the three months ended October 31, 2022, the Company recorded an income tax provision of \$1,000.

For the six months ended October 31, 2023, the Company recorded an income tax provision of \$13,000 primarily related to state income taxes and discrete income tax provision related to an accrual of interest for unrecognized tax benefits. For the six months ended October 31, 2022, the Company recorded an income tax provision of \$2,000.

The effective tax rate for the three months ended October 31, 2023 was an income tax provision of 0.7% on pretax income of \$0.8 million compared to an income tax provision of 0.0% on pretax loss of \$2.3 million in the comparable prior fiscal year period. The effective tax rate for the three months ended October 31, 2023 differs from the U.S. federal statutory rate of 21% primarily due to domestic losses for which the Company is not recognizing an income tax benefit.

The effective tax rate for the six months ended October 31, 2023 was an income tax provision of 0.5% on pretax income of \$2.9 million compared to an income tax provision of 0.0% on pretax loss of \$5.4 million in the comparable prior fiscal year period. The effective tax rate for the six months ended October 31, 2023 differs from the U.S. federal statutory rate of 21% primarily due to domestic losses for which the Company is not recognizing an income tax benefit.

The Inflation Reduction Act of 2022 (the “Act”) was signed into U.S. law on August 16, 2022. The Act includes various tax provisions, including an excise tax on stock repurchases, expanded tax credits for clean energy incentives, and a corporate alternative minimum tax that generally applies to U.S. corporations with average adjusted annual financial statement income over a three-year period in excess of \$1 billion. The Company does not expect the Act to materially impact its consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s consolidated balance sheets continue to reflect a strong working capital position of approximately \$24.7 million at October 31, 2023 and \$21.0 million at April 30, 2023. Included in working capital at October 31, 2023 and April 30, 2023 was \$8.7 million and \$12.0 million, respectively, of cash and cash equivalents. The Company’s current ratio was 2.0 to 1 at October 31, 2023 compared to 1.8 to 1 as of April 30, 2023.

Net cash used in operating activities for the six months ended October 31, 2023 and 2022 was approximately \$2.9 million and \$0.5 million, respectively. The increase in net cash used in operating activities in the first six months of fiscal 2024 as compared to the prior fiscal year period was mainly due to operating income, offset by an increase in inventory and a decrease in contract liabilities. For the six months ended October 31, 2023 and 2022, the Company incurred approximately \$2.2 million and \$1.2 million, respectively, of non-cash operating expenses including amortization of ROU assets, loss provision accrual, depreciation and amortization, inventory net realizable value adjustments, deferred compensation, and accruals for employee benefit programs.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

(Continued)

Net cash used in investing activities for the six months ended October 31, 2023 and 2022 was approximately \$360,000 and \$975,000, respectively. During the six months ended October 31, 2023, no marketable securities were sold or redeemed compared to \$1.1 million for the same period of fiscal year 2023. During the six months ended October 31, 2023, no marketable securities were purchased compared to \$1.4 million for the same period of fiscal year 2023. The Company acquired property, plant, and equipment in the amount of approximately \$360,000 and \$729,000 for the six month periods ended October 31, 2023 and 2022, respectively.

There were no financing activities for the six months ended October 31, 2023 or the six months ended October 31, 2022.

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, 2023, the Company has repurchased approximately \$4 million of its common stock out of the \$5 million authorization, the majority of which has since been reissued. For the six months ended October 31, 2023 and 2022, there were no repurchases of shares.

The Company will continue to expend resources for R&D to develop, improve and acquire products for space applications, guidance and targeting systems, and communication systems that 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, 2023, the Company's consolidated funded backlog was approximately \$50 million compared to \$57 million at April 30, 2023, the end of fiscal year 2023. Approximately 75% of this backlog is expected to be realized in the next twelve months. 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 future 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 short-term operating and investment needs through at least December 15, 2024 and its long-term operation and investment needs for the foreseeable future thereafter.

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

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of 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, 2023, the Company's disclosure controls and procedures were effective at a reasonable assurance level.

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 have been 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, 2023 that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

As disclosed in “Item 1A. Risk Factors” in the Form 10-K, there are a number of risks and uncertainties that could have a material adverse effect on the Company’s business, financial position, results of operations and/or cash flows. There are no material updates or changes to the Company’s risk factors since the filing of the Form 10-K.

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, 2023 formatted in eXtensible Business Reporting Language (XBRL): (i) Cover Page, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Changes in Stockholders’ Equity and (vi) Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within Inline XBRL document.
- 104- Cover Page Interaction Data File (formatted as inline XBRL and contained in Exhibit 101).

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.

Dated: December 15, 2023

FREQUENCY ELECTRONICS, INC.

By: /s/ Thomas McClelland
Thomas McClelland
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Steven L. Bernstein
Steven L. Bernstein
Chief Financial Officer, Secretary and Treasurer
(Principal Financial and Accounting Officer)

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

I, Thomas McClelland, 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/ Thomas McClelland
Thomas McClelland
President and Chief Executive Officer
(Principal Executive Officer)

December 15, 2023

**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
Steven L. Bernstein
Chief Financial Officer, Secretary and Treasurer
(Principal Financial and Accounting Officer)

December 15, 2023

**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, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas McClelland, 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/ Thomas McClelland
Thomas McClelland
President and Chief Executive Officer

December 15, 2023

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, 2023 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
Steven L. Bernstein
Chief Financial Officer, Secretary and Treasurer

December 15, 2023

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.