

**FREQUENCY ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued**  
April 30, 2019 and 2018

On May 21, 2019 the Company completed the sale of its wholly-owned subsidiary FEI-Asia to an Asian corporation. FEI-Asia was sold for \$130,000 in addition to all rights, benefits and obligations attached thereto, free and clear from any encumbrance. The results of this transaction, including approximately \$85,000 of income for the twenty-one days in May 2019, are included in the consolidated financial statements for the fiscal year ended April 30, 2019. The above transaction resulted in a consolidated loss of approximately \$1 million.

4. Earnings per Share

Reconciliations of the weighted average shares outstanding for basic and diluted Earnings per Share for the years ended April 30, 2019 and 2018, respectively, were as follows (in thousands):

	<b>For the years ended April 30,</b>	
	<b>2019</b>	<b>2018</b>
Basic EPS Shares outstanding (weighted average)	8,916,250	8,841,166
Effect of Dilutive Securities	**	**
Diluted EPS Shares outstanding	9,159,124	8,841,166

\*\* For the years ended April 30, 2019 and 2018, dilutive securities are excluded since the inclusion of such shares would be antidilutive due to the net loss for the period. The exercisable shares excluded for 2019 and 2018 are 1,216,000 and 1,259,500, respectively. The effect of dilutive securities for 2019 and 2018 would have been 242,874 and 127,536, respectively.

5. Costs and Estimated Earnings in Excess of Billings

At April 30, 2019 and 2018, costs and estimated earnings in excess of billings, net, consisted of the following (in thousands):

	<b>2019</b>	<b>2018</b>
Costs and estimated earnings in excess of billings	\$ 8,278	\$ 5,266
Billings in excess of costs and estimated earnings	(1,608)	(172)
Net asset	\$ 6,670	\$ 5,094

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. 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. During the years ended April 30, 2019 and 2018, revenue recognized under POC contracts was approximately \$45.3 million and \$16.7 million, respectively. If contract losses are anticipated, costs and estimated earnings in excess of billings are reduced for the full amount of such losses when they are determinable. Total contract losses at April 30, 2019 were approximately \$136,000. There were no contract losses for the fiscal year ended April 30, 2018.

6. Inventories

Inventories at April 30, 2019 and 2018, respectively, consisted of the following (in thousands):

	<b>2019</b>	<b>2018</b>
Raw Materials and Component Parts	\$ 11,600	\$ 16,206
Work in Progress	8,896	8,216
Finished Goods	2,860	1,764
	<u>\$ 23,356</u>	<u>\$ 26,186</u>