

November 2, 2010



## Giga-tronics Reports Second Quarter FY 2011 Results

SAN RAMON, Calif., Nov. 2, 2010 (GLOBE NEWSWIRE) -- Giga-tronics Incorporated (Nasdaq:GIGA) reported today a net loss of \$78,000 or \$0.02 per fully diluted share for the quarter ended September 25, 2010. This compares with a net profit of \$373,000 or \$0.08 per fully diluted share for the same period a year ago. Net sales increased 3% to \$4,749,000 in the second quarter of fiscal 2011 compared to \$4,623,000 in the second quarter of fiscal 2010. Gross margin of \$1,910,000 decreased by \$203,000 over the same quarter last year. Gross margin as a percentage of net sales decreased by 5.5% to 40.2% in the second quarter of fiscal 2011 as compared to 45.7% in the second quarter of fiscal 2010 due to higher manufacturing start-up cost for the dual filter RFTF and lower margins on new switching business. Operating expenses increased 20% or \$352,000 in the second quarter of fiscal 2011 over fiscal 2010 primarily due to an increase of \$201,000 in product development expenses. The increase in product development expenses is due to lower customer funded projects. Orders decreased 26% in the second quarter of fiscal 2011 to \$3,610,000 from \$4,850,000 for the second quarter of fiscal 2010.

Net profit for the six month period ended September 25, 2010 was \$13,547,000 or \$2.71 per fully diluted share. This compares with a net profit of \$706,000 or \$0.15 per fully diluted share for the same period a year ago. Net sales increased 4% to \$9,450,000 in the first half of fiscal 2011 compared to \$9,092,000 in the first half of fiscal 2010. Gross margin of \$3,843,000 decreased by \$384,000 over the same six month period last year. Gross margin as a percentage of net sales decreased by 5.8% to 40.7% in the first half of fiscal 2011 as compared to 46.5% in the first half of fiscal 2010. Operating expenses increased \$453,000 in the first half of fiscal 2011 due to an increase of \$305,000 in product development expenses and an increase of \$148,000 in selling, general and administrative expenses. Orders decreased 9% in the first half of fiscal 2011 to \$6,689,000 from \$7,383,000 for the same period last year.

Non-GAAP net loss, which excludes the after-tax effect of share based compensation, for the three month period ended September 25, 2010 would have been \$36,000 lower or \$42,000. Non-GAAP basic and diluted loss per share would have been \$0.01 compared to a loss of \$0.02 as reported. For the same period last year, the Company's non-GAAP net income would have been \$44,000 higher or \$417,000. Non-GAAP basic and diluted earnings per share would have been \$0.09 compared to \$0.08 as reported.

Non-GAAP net income, which excludes the after-tax effect of share based compensation, for the six month period ended September 25, 2010 would have been \$82,000 higher or \$13,629,000. Non-GAAP basic earnings per share would have been \$2.78 compared to \$2.76 as reported. Non-GAAP diluted earnings per share would have been \$2.73 compared to \$2.71 as reported. For the same period last year, the Company's non-GAAP net income would have been \$80,000 higher or \$786,000. Non-GAAP basic and diluted earnings per share would have been \$0.17 compared to \$0.15 as reported.

Backlog for the quarter ended September 25, 2010 was \$5.7 million (approximately \$4.5 million shippable within one year) as compared to \$7.4 million (approximately \$6.9 million shippable within one year) for the quarter ended September 26, 2009.

Cash and cash equivalents at September 25, 2010 were \$3,529,000 compared to \$3,235,000 as of June 26, 2010.

Giga-tronics will host a conference call today at 4:30 p.m. ET to discuss the second quarter results. To participate in the call, dial (866) 551-3680 domestically or (212) 401-6760 for international, and enter PIN Code 6697122#. The call will also be broadcast over the internet at [www.gigatronics.com](http://www.gigatronics.com) under "Investor Relations". The conference call discussion reflects management's views as of November 2, 2010 only.

Giga-tronics is a publicly held company, traded on the NASDAQ Capital Market under the symbol "GIGA". Giga-tronics produces instruments, subsystems and sophisticated microwave components that have broad applications in defense electronics, aeronautics and wireless telecommunications.

The Giga-tronics Incorporated logo is available at <https://www.globenewswire.com/newsroom/prs/?pkgid=6087>

This press release contains forward-looking statements concerning profitability, backlog, shipments and the likelihood of realizing certain tax benefits. Actual results may differ significantly due to risks and uncertainties, such as future orders, cancellations or deferrals, disputes over performance, the ability to collect receivables and general market conditions. For further discussion, see Giga-tronics' most recent annual report on Form 10-K for the fiscal year ended March 27, 2010, Part I, under the heading "Certain Factors Which May Adversely Affect Future Operations or an Investment in Giga-tronics" and Part II, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations."

#### CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands except share data)

September

Assets
Current assets
Cash and cash-equivalents
Trade accounts receivable, net of allowance
of \$215 and \$95, respectively
Inventories, net
Prepaid expenses and other current assets
Deferred income tax
Total current assets
Property and equipment, net
Deferred income tax - Long term
Other assets
Total assets
Liabilities and shareholders' equity
Current liabilities
Accounts payable
Accrued commission
Accrued payroll and benefits
Accrued warranty
Deferred revenue

Deferred rent  
 Capital lease obligation  
 Other current liabilities  
 Total current liabilities  
 Long term obligations - Deferred rent  
 Long term obligations - Capital lease  
 Total liabilities  
 Commitments  
 Shareholders' equity  
 Preferred stock of no par value;  
 Authorized 1,000,000 shares; no shares outstanding  
 at September 25, 2010 and March 27, 2010  
 Common stock of no par value;  
 Authorized 40,000,000 shares; 4,915,152 shares at September 25, 2010  
 and 4,891,394 shares at March 27, 2010 issued and outstanding  
 Retained earnings (accumulated deficit)  
 Total shareholders' equity  
 Total liabilities and shareholders' equity

	September 25,	CONDENSED C Three Months En September 26,
(In thousands except per-share data)	2010	20
Net sales	\$4,749	\$4
Cost of sales	2,839	2
Gross profit	1,910	2
Engineering	564	
Selling, general and administrative	1,522	1
Total operating expenses	2,086	1
Operating (loss) income	(176)	
Other expense, net	--	--
Interest income (expense), net	1	
(Loss) income before income taxes	(175)	
(Benefit) provision for income taxes	(97)	-
Net (loss) income	\$ (78)	
(Loss) earnings per share - basic	\$ (0.02)	\$
(Loss) earnings per share - diluted	\$ (0.02)	\$
Shares used in per share calculation:		
Basic	4,913	4
Diluted	4,913	4

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Image: company logo