

# NEWS RELEASE



IDEAS REALIZED.

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## CONTACTS:

Mark B. Thomas, CEO

**For Immediate Release**

## **HEI, Inc. Announces the First Quarter 2011 Results**

MINNEAPOLIS, April 22, 2011- HEI, Inc. (Pink Sheets: HEII; <http://www.heii.com>) today announced its financial results for its first quarter of fiscal year 2011, which ended April 2, 2011.

Sales for the first quarter were \$9,723,000, compared to \$9,520,000 for the first quarter of 2010. The Company generated a net income of \$186,000 for the first quarter of 2011 compared to a net income of \$293,000 for the same period of 2010.

HEI CEO, Mark B. Thomas, remarked: “We are pleased to report a profit for the first quarter after the challenges we faced in 2009 and 2010, and we are driving to expand sales further and increase profitability as 2011 progresses. We added new programs and new customers during 2010 and continue to expand our sales pipelines to meet our objectives for growth and profitability.”

HEI, Inc. designs, develops and manufactures ultra-miniature microelectronics, substrates, systems, connectivity and software solutions for customers engaged in the medical, hearing, telecommunications, military, aerospace, and industrial markets. HEI provides its customers with a single point of contact that can take an idea from inception to a fully functional and cost effective product utilizing innovative design solutions and by the application of state-of-the-art materials, processes and manufacturing capabilities.

Corporate Headquarters & HEI –Victoria (Microelectronics Division)  
HEI – Boulder (Advanced Medical Division)  
HEI – Tempe (High Density Interconnect Division)

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### *FORWARD LOOKING INFORMATION*

Information in this news release, which is not historical, includes forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as “may,” “will,” “expect,” “anticipate,” “believe,” “intend,” “estimate,” “continue,” and similar words. Statements contained in this press release, including the implementation of business strategies, growth of specific markets, improved results and estimated HEI revenue, cash flow and profits, are forward looking statements. All such forward-looking statements involve risks and uncertainties including, without limitation, adverse business and market conditions, the ability of HEI to secure and satisfy customers, the availability and cost of materials from HEI’s suppliers, HEI’s ability to satisfy financial or other obligations or covenants set forth in its financing agreements, adverse competitive developments, change in or cancellation of customer requirements, collection of receivables and outstanding debt, HEI’s ability to control fixed and variable operating expenses, and other risks detailed in previous HEI SEC filings. Since HEI is no longer reporting to the SEC, readers are cautioned to weigh the potential for additional risk factors based on ongoing business activities and the current economic conditions. The information set forth herein should be read in light of such risks. We undertake no obligation to update these statements to reflect ensuing events or circumstances, or subsequent actual results.

**HEI, INC.**  
**CONSOLIDATED BALANCE SHEETS**

April 2,                      January 2,  
2011                              2011  
(Unaudited)                      (Audited)  
(In thousands, except share and per share  
data)

**ASSETS**

Current assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable, net	5,629	5,071
Inventories, net	4,412	4,359
Deferred income taxes	425	425
Other current assets	590	227
Total current assets	<u>11,056</u>	<u>10,082</u>
Property and equipment:		
Land	216	216
Building and improvements	4,337	4,337
Fixtures and equipment	25,717	25,334
Accumulated depreciation	(24,713)	(24,290)
Net property and equipment	<u>5,557</u>	<u>5,597</u>
Security deposit	230	230
Other long-term assets	359	336
Total assets	<u>\$ 17,202</u>	<u>\$ 16,245</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Checks issued in excess of cash in bank	\$ 629	\$ 524
Current maturities of long-term debt	737	684
Accounts payable	3,060	2,737
Customer deposit liabilities	2	297
Accrued liabilities	892	718
Total current liabilities	<u>5,320</u>	<u>4,960</u>
Deferred income taxes	425	425
Other long-term liabilities, less current maturities	2,028	1,953
Long-term debt, less current maturities	6,210	5,907
Total other long-term liabilities, less current maturities	<u>8,663</u>	<u>8,285</u>
Total liabilities	<u>13,983</u>	<u>13,245</u>
Shareholders' equity:		
Undesignated stock	-	-
Convertible preferred stock, \$.05 par	2	2
Common stock, \$.05 par	494	494
Paid-in capital	28,274	28,241
Accumulated deficit	(25,551)	(25,737)
Total shareholders' equity	<u>3,219</u>	<u>3,000</u>
Total liabilities and shareholders' equity	<u>\$ 17,202</u>	<u>\$ 16,245</u>

**HEI, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<u>Three Months Ended</u>	
	<u>April 2,</u> <u>2011</u>	<u>April 3,</u> <u>2010</u>
	(In thousands, except share and per share data)	
Net sales	\$ 9,723	\$ 9,520
Cost of sales	<u>8,228</u>	<u>8,130</u>
Gross profit	<u>1,495</u>	<u>1,390</u>
Operating expenses:		
Selling, general and administrative	1,091	1,001
Research, development and engineering	<u>144</u>	<u>195</u>
Operating income (loss)	261	194
Interest expense	(76)	(68)
Other income (expense), net	<u>1</u>	<u>167</u>
Net income (loss)	<u>\$ 186</u>	<u>\$ 293</u>
Net income (loss) per common share	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Weighted average common shares outstanding	<u>9,871,000</u>	<u>9,723,000</u>