THE DEWEY ELECTRONICS CORPORATION

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From: John Dewey, CEO and President

To: My Fellow Shareholders,

I am pleased to report the results for Fiscal Year '19, ending June 30, 2019.

The Company had a very strong year of profitable operations. Earnings were roughly $0.91 per share. This was achieved through an increase in revenues while fixed costs decreased slightly, resulting in improved margins and profits.

Revenue growth came from shipments in support of Government maintenance, repair, and operating activities (MRO), including three larger than normal contracts. Those large orders have shipments continuing into FY20, but not thereafter. The first was from the U.S. Navy relating to the long-standing Pitometer Log product line. The other two were from the U.S. Army relating to the 2kW Generator product line, the first of which was an order for spare engines and the second for engineering and testing required for long term sustainment of the product line. In contrast, the Company continues to experience reduced revenues from sales of new power systems. We believe this reduction in demand corresponds to an overall reduction in the U.S. Army's development and acquisition of new ground combat systems. It is difficult to estimate how many more years this will continue.

Backlog at the end of FY19, June 30, was approximately $5,445,000. As of this writing, based on year-to-date shipments and backlog, management believes revenues for FY20 could meet or exceed FY19 levels.

Longer-term predictions are not possible. Considering the current political and international situation, as well as the Company's understanding of customer requirements, management believes it is highly unlikely that the current levels of MRO spending will continue indefinitely.

There were two significant non-cash events this year; the first was regarding the pension. As mentioned in last year's letter, the Company 'froze' its pension plan in January of 2018. Though the actual liability to employees is now frozen, changes in discount rates and other actuarial estimates resulted in a significant increase in the present value of the plan's long-term liability. Changes in long-term pension liabilities generally do not impact net income. However, comprehensive income was significantly lower as a result. Please see the notes to the FY19 financials for more information.

The second non-cash event was an increase in Deferred Tax Assets due primarily to the reversal of an allowance against the tax benefit of past Net Operating Losses. The allowance was reversed due to the company's expectation of continued profitability. This had a significant accretive impact on Net Income. Please see the notes to the FY19 financials for more information.

Regarding financing and liquidity, this past October 2018 the Company entered into a loan and security agreement with Crestmark Financial, a division of MetaBank, for an asset-based credit facility with a maximum borrowing of $1,650,000. This credit facility greatly expands financial capacity by borrowing against receivables, inventory, machinery, and material costs on certain larger Government production contracts. Please note this was reported last year as a subsequent event.

Regarding real estate, the Company has been actively trying to sell its 49,000 square-foot building and approximately seventy-eight acres. This spring the Company filed for a minor subdivision with the Borough of Oakland, separating the building and thirteen acres from sixty-five acres of excess land. An 'unappealable subdivision' could be received as soon as the end of November. The Company has already signed a contract for sale of the building and thirteen acres. The due diligence period has ended, but closing is contingent on the final subdivision being acceptable to both buyer and Company. Management believes closing could occur on or around January 1, 2020. Regarding the excess sixty-five acres, the Company has had numerous potential buyers and is pursuing a sale with one. However, there remain many hurdles requiring the support of and final approval from regulatory and governmental entities. Management believes a closing is possible in the second half of 2020. The Company has a third parcel of land that was orphaned years ago by the completion of Interstate 287. It does not appear to have immediate commercial value.

Potential net proceeds before taxes is expected to be in the range of $3.5M to $5.4M. As with all deals of this nature, there is no guarantee if or when closing might occur or the amount or timing of proceeds. However, Management believes the building and the 65 acres of excess land are attractive assets and will be sold. Thus, those assets are listed in 'assets held for sale' on the balance sheet.

If the building does sell, the Company plans to lease space in the immediate area. The long-term stated goal of the Board is to return excess value to the shareholders.

Looking forward, Dewey has returned to profitability and is making great strides toward the goal of solid returns through all types of defense procurement cycles. Everyone at the Company is focused on converting backlog into cash flow, closing on the real estate, relocating operations, and pursuing new projects that will maintain the backlog.

I would like to congratulate everyone at Dewey Electronics for their hard work and persistence. I would also like to thank our customers, vendors, and especially our Shareholders for their support.

John Dewey

CEO and President

November 5, 2019