

SECURITIES & EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period July 31, 1995

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition from to

Commission File Number 1-8061

FREQUENCY ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 11-1986657

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

55 Charles Lindbergh Blvd., Mitchel Field, New York 11553
(Address of principle executive offices, Zip Code)

(516) 794-4500
(Registrant's telephone number including area code)

(Former name, former address and former fiscal year,
if changed since last report)

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 X No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities and Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of Registrant's Common Stock,
par value \$1.00 as of September 8, 1995 - 5,026,895

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Consolidated Condensed Balance Sheets

July 31, 1995 (UNAUDITED)	April 30, 1995 (NOTE A)
(In thousands)	

ASSETS:

Current assets:

Cash and cash equivalents	\$ 9,029	\$ 4,291
Marketable Securities	8,247	11,387
Accounts receivable, net (NOTE B)	12,154	13,894
Inventories (NOTE C)	11,676	11,168
Prepaid and other	1,048	1,257
Refundable income taxes	310	318
Total current assets	42,464	42,315
Property, plant and equipment, net	8,989	9,192
Investment in direct finance lease	9,498	9,452
Other assets	3,564	1,777
Assets held for sale	-0-	2,296
Total assets	\$ 64,515	\$65,032

See accompanying notes to consolidated condensed financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Consolidated Condensed Balance Sheets (Continued)

July 31, 1995 (UNAUDITED)	April 30, 1995 (NOTE A)
(In thousands)	

LIABILITIES AND STOCKHOLDERS' EQUITY:

Current liabilities:

Current maturities of long-term debt	\$ 750	\$ 750
Accounts payable - trade	372	727
Accrued liabilities	1,291	1,782
Total current liabilities	2,413	3,259

Long-term debt,

net of current maturities	12,000	12,187
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Other	2,897	2,772
Total liabilities	17,310	18,218

Stockholders' equity:

Preferred stock - \$1.00 par value	-0-	-0-
Common stock - \$1.00 par value	6,006	6,006
Additional paid-in capital	35,081	35,131
Retained earnings	13,700	13,443
	54,787	54,580

Common stock reacquired and held in treasury - at cost, 979,405 shares at July 31 and 964,305 shares at April 30	(4,442)	(4,387)
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Unamortized ESOP debt	(2,375)	(2,500)
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Notes receivable - common stock	(806)	(822)
Unrealized holding gain (loss)	57	(39)
Unearned compensation	(16)	(18)
Total stockholders' equity	47,205	46,814
Total liabilities and stockholders' equity	\$64,515	\$65,032

See accompanying notes to consolidated condensed financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Consolidated Condensed Statements of Operations

Three Months Ended July 31,
(UNAUDITED)

	1995	1994
	(In thousands except per share data)	
Net Sales	\$ 5,338	\$ 6,616
Cost of sales	4,001	5,241
Selling and administrative expenses	1,484	2,194
Research and development expenses	163	205
Total operating expenses	5,648	7,640
Operating loss	(310)	(1,024)
Investment income	322	139
Interest expense	(258)	(220)
Other income, net	523	523
Earnings (loss) before provisions for income taxes	277	(582)
Income tax provision	21	31
Earnings (loss) before cumulative effect of change in accounting principle	256	(613)
Cumulative effect of change in accounting principle	-0-	215
Net earnings (loss)	\$ 256	\$ (398)
Earnings (loss) per common share before cumulative effect of change in accounting principle	\$.05	\$ (.11)
Cumulative effect of change in accounting principle		.04
Net earnings (loss) per common share	\$.05	\$ (.07)
Weighted average common shares outstanding	5,052,495	5,386,995

See accompanying notes to consolidated condensed financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

Three Months Ended July 31,
(UNAUDITED)

	1995	1994
	(In thousands)	
Net cash provided by (used in)		

operating activities	\$ 1,235	\$ (786)
Net cash provided by (used in) investing activities	3,745	(16)
Cash flows from financing activities:		
Repayments of long-term debt	(187)	(273)
Purchase of treasury stock	(55)	
Cash used in financing activities	(242)	(273)
Net increase (decrease) in cash	4,738	(1,075)
Cash at beginning of period	4,291	11,171
Cash at end of period	\$ 9,029	\$10,096

See accompanying notes to consolidated condensed financial statements.

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

NOTE A - CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management of the Company, the accompanying unaudited consolidated condensed interim financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly, in all material respects, the consolidated financial position of the Company as of July 31, 1995 and the results of its operations for the three months ended July 31, 1995 and 1994 and its cash flows for the three months ended July 31, 1995 and 1994. The April 30, 1995 consolidated condensed balance sheet was derived from audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 1995 Annual Report to Stockholders. The results of operations for such interim periods are not necessarily indicative of the operating results for the full year.

NOTE B - ACCOUNTS RECEIVABLE

Accounts receivable at July 31, 1995 and April 30, 1995 include costs and estimated earnings in excess of billings on uncompleted contracts accounted for on the percentage of completion basis of approximately \$5,103,000 and \$5,456,000, respectively. Such amounts represent revenue recognized on long-term contracts that had not been billed at the balance sheet dates. Such amounts are billed pursuant to contract terms.

NOTE C - INVENTORIES

Inventories consist of the following:

July 31, 1995 April 30, 1995
(In thousands)

Raw materials	\$ 1,519	\$1,569
Work in progress	10,157	9,599
	\$ 11,676	\$11,168

Title to all inventories related to United States Government contracts that provide for progress payments vests in the U.S. Government.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

QUARTERLY COMPARISON

Net sales for the quarter ended July 31, 1995 were \$5,338,000 compared to \$6,616,000 for the same quarter last year, representing a decrease of \$1,278,000. This reduction in sales resulted primarily from the completion of the redundant frequency generator unit for the EMS Satellite in early fiscal 1995 and a reduced level of effort expended on the AMRAAM and Milstar programs in comparison to last year at this time. In fiscal 1996, Registrant has been awarded a significant contract for DC/DC converters and oscillators of over \$2.7 million, an order for stable OCXO's for the JTIDS program and several contracts from Loral and Hyundai in connection with the Globalstar Satellite. Since these programs are in the early stages, the efforts expended, and consequently the related revenues, are not significant in the quarter ended July 31, 1995. Related revenues are expected to be realized in the remaining months in fiscal 96 and fiscal 97. Levels of commercial sales remain fairly consistent at 34% of consolidated sales. As of July 31, 1995, the Registrant's backlog amounted to approximately \$16 million of which approximately \$11 million is funded as compared to approximately \$15 million of backlog at April 30, 1995. Backlog of commercial and foreign customers approximates \$4.5 million at July 31, 1995.

The gross profit for the quarter ended July 31, 1995 amounted to \$1,337,000 as compared to \$1,375,000 for the same quarter last year. Gross margins were 25% and 21% for the three months ended July 31, 1995 and 1994, respectively. Improved margins have resulted from cost reductions, primarily in the area of personnel and compensation, and product mix. The negative impact in fiscal 1995 and earlier, of the restructuring and consolidation of the west coast facility, has been virtually eliminated in fiscal 1996.

Selling and administrative expenses for the quarter ended July 31, 1995 were \$1,484,000 compared to \$2,194,000 last year. This decrease of \$710,000 is primarily the result of a reduced level of activity in the quarter in connection with the Registrant's legal proceedings, lower insurance costs and reduced personnel costs.

As a result of the above, the operating loss for the three months ended July 31, 1995 was \$310,000 compared to a loss of \$1,024,000 for the same period last year.

Investment income was greater in the quarter ended July 31, 1995 than in the comparable quarter in the prior year by approximately \$183,000. This increase results primarily from a significantly higher level of interest earning assets and greater interest rates as a result of investment strategies. Interest expense was \$258,000 in the three month period ended July 31, 1995 compared to \$220,000 for the same period last year. The increase results primarily from higher interest rates offset to a lesser degree by lower average borrowings.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES (Continued)

LIQUIDITY AND CAPITAL RESOURCES

The Registrant's balance sheet at July 31, 1995 effects a highly liquid position with a current ratio of 18 to 1 compared

to 13 to 1 at April 30, 1995. Working capital was \$40 million at July 31, 1995 compared to \$39 million at April 30, 1995.

The net cash provided by operating activities for the period ended July 31, 1995 was \$1,235,000 compared to a use of cash of \$786,000 in the period ended July 31, 1994. This results from the net earnings in the period of \$256,000 and a reduction in accounts receivable of \$1,740,000 offset by an increase in inventories of \$508,000 and reductions in accounts payable and accrued expenses of \$846,000.

During the period ended July 31, 1995 accounts receivable balances were reduced by approximately \$1,740,000 from April 30, 1995. This reduction resulted primarily from increased collection efforts, a reduced level of revenues and receipt of certain milestone payments.

Inventories increased to \$11,676,000 at July 31, 1995 due to Registrant's commercial business which requires building certain products "for the shelf" to meet customer requirements.

The Registrant will continue to expend its resources and efforts on developing hardware for commercial satellite programs and commercial ground communication and navigation systems which management believes will result in future growth and increases in profits.

The Registrant has no material commitments for capital expenditures.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

PART II

ITEM 1 - Legal Proceedings

On November 17, 1993, Registrant was indicted on criminal charges alleging conspiracy and fraud in connection with six contracts for which Registrant was a subcontractor. In addition, two derivative actions have been filed against the Board of Directors essentially seeking recovery on behalf of the Company for any losses it incurs as a result of the indictment.

On December 14, 1993, Registrant was notified by the U.S. Department of the Air Force that it had been suspended from contracting with any agency of the government. Certain exceptions will apply if a compelling reason exists. The suspension is temporary subject to the outcome of the legal proceedings in connection with the indictment.

In March 1994, a qui tam action was filed against the Registrant and its former chief executive officer.

The Company and the individual defendants have pleaded not guilty to all actions and will vigorously contest all charges.

For all items noted above, reference is made to Item 3 - Legal Proceedings of Registrant's Annual Report on Form 10K for the year ended April 30, 1995 on file with the Securities and Exchange Commission.

On July 27, 1995 Registrant was served with a summons and complaint by way of a qui tam action instituted by a former employee of Registrant. Registrant denies the truth, accuracy and bonafides of plaintiff's allegations and has determined vigorously to defend the action. Reference is made to Registrant's report on form 8-K dated July 27, 1995.

ITEM 6 - Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K - One report on Form 8-K was filed during the quarter ended July 31, 1995 as follows:

Date of Report	Item
July 27, 1995	5

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.

FREQUENCY ELECTRONICS, INC.

(Registrant)

Date: September 15, 1995

BY /s/ Dawn Rhodes Johnston
Dawn Rhodes Johnston
Vice President Finance

Date: September 15, 1995

BY /s/ Joseph P. Franklin
Joseph P. Franklin
Chief Executive Officer

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