



Frequency Electronics Announces Results for 3rd Quarter Fiscal Year 2005

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MITCHEL FIELD, N.Y.--(BUSINESS WIRE)--March 8, 2005--Frequency Electronics, Inc. (AMEX-FEI) today announced that revenues for the third quarter of fiscal year 2005, which ended 31 January 2005, were \$11.2 million compared to \$14.1 million for the same period of fiscal 2004. For the nine month period ended 31 January 2005, revenues were \$43.3 million compared to \$32.8 million in the first nine months of the previous fiscal year.

In the third quarter, the Company recorded a net loss of \$368,000 (\$0.04 per diluted share), compared to net income of \$364,000, or \$0.04 per diluted share, in the same quarter of fiscal 2004. For the nine month period ended 31 January 2005, net income was \$1.5 million, or \$0.17 per diluted share, compared to a net loss of \$576,000 (\$0.07 per diluted share) in the first nine months of the previous fiscal year. Results include prior period restatement of earnings per share and net income to reflect the Company's equity income from its investment in Morion, Inc.

General Joseph Franklin, Chairman of the Board, said: "The widely-reported slowdown in OEM wireless infrastructure purchasing that began in the last half of calendar year 2004 has been the primary influence on revenues in the last two quarters. Operating results in the past quarter were further impacted by increased development spending. Comparing this full fiscal year, which ends April 30th, with fiscal 2004, we continue to expect increased revenues and profitability. We will achieve this with no material contribution from our major new product developments. Looking ahead to next fiscal year, our investment in these new products will begin to contribute to the Company's ongoing growth."

Revenues for the Commercial Communications segment were \$5.3 million for this past quarter and \$25.4 million for the nine months of fiscal 2005. Revenues for the nine months of fiscal 2004 were \$18.5 million. Included in the nine months of fiscal year 2005 revenues are commercial satellite sales, which rose to \$4.3 million, compared to \$1.4 million in the first nine months of fiscal 2004

Third quarter revenues for the US Government segment were \$985,000 and \$4.3 million for the nine months of fiscal 2005. Revenues for the nine months of fiscal 2004 were \$5.3 million. Additional US government sales are included in the FEI-Zyfer segment.

FEI-Zyfer's revenues for the third quarter were \$2.5 million and \$6.6 million for the nine months of fiscal 2005, up from \$4.0 million the first nine months of fiscal 2004. The large majority of FEI-Zyfer's revenues are derived from US government programs.

Gillam-FEI recorded revenues of \$2.6 million for the third quarter and \$7.6 million for the nine months of fiscal 2005. Revenues for the nine months of fiscal 2004 were \$5.2 million.

Research and development expenses during the third quarter were \$2.0 million, up from \$1.2 million and \$1.6 million in the first and second quarters, respectively. During the quarter, investment in new developments included:

- Precision Reference Standards (PRS) for wireline networks, a joint effort between FEI Communications, Gillam-FEI, and FEI-Zyfer
- High-temperature clock technology for energy exploration.
- Additional applications for the FE-405 high precision oscillator series.

Chief Financial Officer, Alan Miller, added the following comments: "Operating margins during the quarter were impacted by lower revenues and the increased rate of R&D spending. Gross margins during the third quarter were 32.9%, compared to 34.4% for the preceding six months. R&D expenditures were 18% of revenues compared to 9% for the first six months. We anticipate R&D spending in the fourth quarter will return to levels comparable to the first half of the year."

About Frequency Electronics

Frequency Electronics, Inc. is a world leader in the design, development and manufacture of high-technology frequency, timing

and synchronization products for voice, video and data telecommunications delivered by satellite or terrestrial means for both commercial and DOD customers. The Company's technologies provide unique solutions that are essential building blocks for the next generation of broadband wireless and fiber optic communications systems, for critical defense applications and for the ongoing expansion of existing wireless and wireline networks. Additional information is available on FEI's website: www.frequencyelectronics.com.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: The Statements in this press release regarding the future constitute "forward-looking" statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, inability to integrate operations and personnel, actions by significant customers or competitors, general domestic and international economic conditions, consumer spending trends, reliance on key customers, continued acceptance of the Company's products in the marketplace, competitive factors, new products and technological changes, product prices and raw material costs, dependence upon third-party vendors, competitive developments, changes in manufacturing and transportation costs, the availability of capital, and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this release.

Frequency Electronics, Inc. and Subsidiaries
Consolidated Condensed Summary of Operations

	Quarter Ended		Nine Months Ended	
	January 31,		January 31,	
	2005	2004(a)	2005(a)	2004(a)
	(unaudited)		(unaudited)	
	(in thousands except per share data)			
Net Sales	\$11,222	\$14,052	\$43,266	\$32,831
Cost of Sales	7,529	9,279	28,537	22,171
Gross Margin	3,693	4,773	14,729	10,660
Selling and Administrative	2,567	2,945	8,759	8,134
Restructuring Charge	-	305	-	431
Research and Development	2,025	1,394	4,850	4,309
Operating (Loss) Profit	(899)	129	1,120	(2,214)
Interest and Other, Net (a)	361	388	1,225	1,606
(Loss) Income before Taxes & Minority Interest	(538)	517	2,345	(608)
Minority Interest	-	(25)	(1)	(132)
(Loss) Income before Income Taxes	(538)	542	2,346	(476)
Income Tax (Benefit) Provision	(170)	178	830	100
Net (Loss) Income	\$ (368)	\$ 364	\$ 1,516	\$ (576)
Net (Loss) Income per Share:				
Basic	\$ (0.04)	\$ 0.04	\$ 0.18	\$ (0.07)
Diluted	\$ (0.04)	\$ 0.04	\$ 0.17	\$ (0.07)
Average Shares Outstanding				
Basic	8,499,274	8,379,375	8,473,679	8,364,837
Diluted	8,499,274	8,589,893	8,682,099	8,364,837

(a) Prior period amounts have been restated to reflect the Company's

equity income from its investment in Morion, Inc.

Frequency Electronics, Inc. and Subsidiaries

Consolidated Condensed Balance Sheets

January 31, April 30,
2005 2004(a)

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(in thousands)

ASSETS

Cash & Marketable Securities	\$ 34,400	\$ 31,389
Accounts Receivable	12,862	15,036
Inventories	23,116	21,925
Other Current Assets	3,110	4,485
Property, Plant & Equipment	11,158	11,486
Other Assets	9,722	8,546

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\$ 94,368 \$ 92,867

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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$ 9,091	\$ 11,827
Long-term Obligations and Other	17,237	17,657
Stockholders' Equity	68,040	63,383

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\$ 94,368 \$ 92,867

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