

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the Quarterly Period ended July 31, 2005

OR

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

For the transition period from _____ to _____

Commission File No. 1-8061

FREQUENCY ELECTRONICS, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

11-1986657
(I.R.S. Employer Identification No.)

55 CHARLES LINDBERGH BLVD., MITCHEL FIELD, N.Y. 11553
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 516-794-4500

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
--- ---

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12 b-2). Yes No X
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APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of Registrant's Common Stock, par value \$1.00 as of September 9, 2005 - 8,526,600

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Balance Sheets

	July 31, 2005 ----- (UNAUDITED)	April 30, 2005 ----- (NOTE A)
	(In thousands)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,689	\$ 6,701
Marketable securities	20,449	23,532
Accounts receivable, net of allowance for doubtful accounts of \$172	13,385	12,728
Inventories	23,708	22,948
Deferred income taxes	2,569	2,269
Prepaid expenses and other	1,721	1,362
	-----	-----
Total current assets	65,521	69,540
Property, plant and equipment, at cost, less accumulated depreciation and amortization	6,708	6,770
Deferred income taxes	2,594	2,644
Cash surrender value of life insurance	5,958	5,838
Goodwill and other Intangible assets, net	572	591
Other assets	3,125	2,991
	-----	-----
Total assets	\$ 84,478 =====	\$ 88,374 =====

See accompanying notes to condensed consolidated
financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Balance Sheets (Continued)

	July 31, 2005 ----- (UNAUDITED)	April 30, 2005 ----- (NOTE A)
	(In thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable - trade	\$ 2,253	\$ 1,896
Accrued liabilities and other	3,260	3,912
Income taxes payable	511	3,184
Dividend payable	-	852
	-----	-----
Total current liabilities	6,024	9,844
Deferred compensation	7,883	7,812
Deferred gain and other liabilities	1,424	1,525
	-----	-----
Total liabilities	15,331	19,181
	-----	-----
Stockholders' equity:		
Preferred stock - \$1.00 par value	-	-
Common stock - \$1.00 par value	9,164	9,164
Additional paid-in capital	45,372	45,289
Retained earnings	13,582	12,440
	-----	-----
68,118	68,118	66,893
Common stock reacquired and held in treasury -at cost, 638,340 shares at July 31, 2005 and 646,709 shares at April 30, 2005	(2,576)	(2,601)
Accumulated other comprehensive income	3,605	4,901
	-----	-----
Total stockholders' equity	69,147	69,193
	-----	-----
Total liabilities and stockholders' equity	\$ 84,478	\$ 88,374
	=====	=====

See accompanying notes to condensed consolidated
financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Operations
Three Months Ended July 31,
(Unaudited)

	2005 ----	2004(a) -----
	(In thousands except per share data)	
Net Sales	\$11,057	\$17,683
Cost of sales	6,960	11,905
	-----	-----
Gross Margin	4,097	5,778
Selling and administrative expenses	2,544	3,293
Research and development expense	1,442	1,236
	-----	-----
Operating profit	111	1,249
Other income (expense):		
Investment income	1,325	415
Equity in Morion (a)	144	54
Interest expense	(28)	(78)
Other income, net	69	58
	-----	-----
Income before minority interest and provision for income taxes	1,621	1,698
Minority interest in income of consolidated subsidiary	-	19
	-----	-----
Income before provision for income taxes	1,621	1,679
Provision for income taxes	479	648
	-----	-----
Net income	\$ 1,142	\$ 1,031
	=====	=====
Net earnings per common share		
Basic	\$ 0.13	\$ 0.12
	=====	=====
Diluted	\$ 0.13	\$ 0.12
	=====	=====
Average shares outstanding		
Basic	8,520,020	8,434,618
	=====	=====
Diluted	8,657,340	8,646,358
	=====	=====

(a) Prior period amounts have been restated to reflect the Company's equity income from its investment in Morion, Inc.

See accompanying notes to condensed consolidated
financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Three Months Ended July 31,
(Unaudited)

	2005	2004(a)
	-----	-----
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 1,142	\$ 1,031
Non-cash charges to earnings	(561)	533
Net changes in other assets and liabilities	(5,315)	389
	-----	-----
Net cash (used in) provided by operating activities	(4,734)	1,953
	-----	-----
Cash flows from investing activities:		
Proceeds from sale of marketable securities	6,256	500
Purchase of marketable securities	(2,879)	(2,240)
Other - net	(520)	(257)
	-----	-----
Net cash provided by (used in) investing activities	2,857	(1,997)
	-----	-----
Cash flows from financing activities:		
Payment of cash dividend	(852)	(843)
Payment on long-term obligations	-	(1,442)
Other - net	-	60
	-----	-----
Net cash (used in) provided by financing activities	(852)	(2,225)
	-----	-----
Net decrease in cash and cash equivalents before effect of exchange rate changes	(2,729)	(2,269)
Effect of exchange rate changes on cash and cash equivalents	(283)	(8)
	-----	-----
Net decrease in cash	(3,012)	(2,277)
Cash at beginning of period	6,701	5,699
	-----	-----
Cash at end of period	<u>\$ 3,689</u>	<u>\$ 3,422</u>
	=====	=====

(a) Prior period amounts have been restated to reflect the Company's equity income from its investment in Morion, Inc.

See accompanying notes to condensed consolidated
financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE A - CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management of the Company, the accompanying unaudited condensed consolidated 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, 2005 and the results of its operations and cash flows for the three months ended July 31, 2005 and 2004. The April 30, 2005 condensed consolidated 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 condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 2005 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 - EARNINGS PER SHARE

Reconciliation of the weighted average shares outstanding for basic and diluted Earnings Per Share are as follows:

	Periods ended July 31, Three months	
	2005	2004
	----	----
Basic EPS Shares outstanding (weighted average)	8,520,020	8,434,618
Effect of Dilutive Securities	137,320	211,740
	-----	-----
Diluted EPS Shares outstanding	8,657,340	8,646,358
	=====	=====

Options to purchase 570,550 and 231,750 shares of common stock were outstanding during the three months ended July 31, 2005 and 2004, respectively, but were not included in the computation of diluted earnings per share. Since the exercise price of these options was greater than the average market price of the Company's common shares during the periods, their inclusion in the computation would have been antidilutive. Consequently, these options are excluded from the computation of earnings per share.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable at July 31 and April 30, 2005 include costs and estimated earnings in excess of billings on uncompleted contracts accounted for on the percentage of completion basis of approximately \$3,334,000 and \$4,138,000, 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 D - INVENTORIES

Inventories, which are reported net of reserves of \$4,252,000 and \$4,289,000 at July 31 and April 30, 2005, respectively, consist of the following:

	July 31, 2005	April 30, 2005
	-----	-----
	(In thousands)	
Raw materials and Component parts	\$10,646	\$10,353
Work in progress and Finished goods	13,062	12,595
	-----	-----
	\$23,708	\$22,948
	=====	=====

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE E - -COMPREHENSIVE INCOME

For the three months ended July 31, 2005 total comprehensive loss was (\$154,000) and for the three months ended July 31, 2004, total comprehensive income was \$1,980,000. Comprehensive income is composed of net income or loss for the period plus the impact of foreign currency translation adjustments and the change in the valuation allowance on marketable securities.

NOTE F - SEGMENT INFORMATION

The Company operates under four reportable segments:

- (1) Commercial Communications - consists principally of time and frequency control products used in two principal markets- commercial communication satellites and terrestrial cellular telephone or other ground-based telecommunication stations.
- (2) U.S. Government - consists of time and frequency control products used for national defense or space-related programs.
- (3) Gillam-FEI - the Company's Belgian subsidiary primarily sells wireline synchronization and network monitoring systems.
- (4) FEI-Zyfer - the products of the Company's subsidiary incorporate Global Positioning System (GPS) technologies into systems and subsystems for secure communications, both government and commercial, and other locator applications.

The table below presents information about reported segments with reconciliation of segment amounts to consolidated amounts as reported in the statement of operations or the balance sheet for each of the periods (in thousands):

	Three months ended July 31,	
	2005	2004
	----	----
Net sales:		
Commercial Communications	\$ 4,969	\$11,313
U.S. Government	1,887	1,741
Gillam-FEI	2,215	2,740
FEI-Zyfer	2,445	2,034
less intercompany sales	(459)	(145)
	-----	-----
Consolidated Sales	\$11,057	\$17,683
	=====	=====
Operating profit (loss):		
Commercial Communications	\$ 434	\$ 1,964
U.S. Government	(500)	(80)
Gillam-FEI	(66)	(497)
FEI-Zyfer	333	(38)
Corporate	(90)	(100)
	-----	-----
Consolidated Operating Profit	\$ 111	\$ 1,249
	=====	=====
	July 31, 2005	April 30, 2005
Identifiable assets:		
Commercial Communications	\$27,783	\$26,261
U.S. Government	5,746	6,245
Gillam-FEI	14,123	13,877
FEI-Zyfer	5,717	4,796
less intercompany balances	(10,663)	(9,892)
Corporate	41,772	47,087
	-----	-----
Consolidated Identifiable Assets	\$84,478	\$88,374
	=====	=====

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE G - EQUITY-BASED COMPENSATION

The Company applies the disclosure-only provisions of FAS 123, "Accounting for Stock-Based Compensation," as amended by FAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," and continues to measure compensation cost in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Historically, this has not resulted in compensation cost upon the grant of options under a qualified stock option plan. However, in accordance with FAS 123, as amended by FAS 148, the Company provides pro forma disclosures of net earnings (loss) and earnings (loss) per share as if the fair value method had been applied beginning in fiscal 1996.

The following table illustrates the effect on the Company's consolidated statements of operations had compensation cost for stock option awards under the plans been determined based on the fair value at the grant dates consistent with the provisions of FAS 123 as amended by FAS 148:

	Three months ended July 31	
	2005	2004
	----	----
	(In thousands except per share data)	
Net Income, as reported	\$1,142	\$1,031
Cost of stock options, net of tax	(93)	(195)
	-----	-----
Net Income - pro forma	\$1,049	\$ 836
	=====	=====
Earnings per share, as reported:		
Basic	\$ 0.13	\$ 0.12
	=====	=====
Diluted	\$ 0.13	\$ 0.11
	=====	=====
Earnings per share- pro forma		
Basic	\$ 0.12	\$ 0.10
	=====	=====
Diluted	\$ 0.12	\$ 0.10
	=====	=====

The weighted average fair value of each option has been estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions used for grants in fiscal years 2006 and 2005: dividend yield of 1.83%; expected volatility of 59%; risk free interest rate of 3.9%; and expected lives of six and one-half years.

NOTE H - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2004, the FASB issued Statement No. 151 "Inventory Costs." ("FAS 151") This statement amends Accounting Research Bulletin No. 43, Chapter 4, "Inventory Pricing" and removes the "so abnormal" criterion that under certain circumstances could have led to the capitalization of these items. FAS 151 requires that idle facility expense, excess spoilage, double freight and re-handling costs be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." FAS 151 also requires that allocation of fixed production overhead expenses to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this statement are effective for fiscal years beginning after June 15, 2005; i.e., fiscal year 2007 for the Company. The adoption of FAS 151 is not expected to have a material impact on the Company's financial position or results of operations.

In December 2004, the FASB issued Statement No. 123(R), "Stock-Based Payment" ("FAS 123(R)"). FAS 123(R) supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends FAS No. 95, "Statement of Cash Flows." Generally, the approach in FAS 123(R) is similar to the approach described in FAS 123. FAS 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. FAS 123(R) requires that the fair value of such equity instruments be recognized as an expense in the historical financial statements as services are performed. Prior to FAS 123(R), only certain pro forma disclosures of fair value were

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(Unaudited)

required. The provisions of this statement are effective for fiscal years beginning after June 15, 2005; i.e., fiscal year 2007 for the Company. The adoption of FAS 123(R) will have an impact on the Company's financial position and results of operations similar to the pro forma disclosure in the Equity-based Compensation disclosure in Note G.

In December 2004, the FASB issued Statement No. 153, "Exchange of Non-monetary Assets", ("FAS 153") an amendment of Accounting Principles Board Opinion No. 29 ("APB 29"), which differed from the International Accounting Standards Board's ("IASB") method of accounting for exchanges of similar productive assets. FAS 153 replaces the exception from fair value measurement in APB 29, with a general exception from fair value measurement for exchanges of non-monetary assets that do not have commercial substance. The statement is to be applied prospectively and is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005; i.e., August 1, 2005 for the Company. The adoption of FAS 153 is not expected to have a material impact on the Company's financial position or result of operations.

In May 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3." ("FAS 154") This Statement requires retrospective application to prior period financial statements of a voluntary change in accounting principle unless it is impracticable and is effective for fiscal years beginning after December 15, 2005. Previously, most voluntary changes in accounting principle were recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. The Company will comply with the provisions of FAS 154 although the impact of such adoption is not determinable at this time.

Item 2

Management's Discussion and Analysis of Financial Condition and
Results of Operations

"Safe Harbor" Statement under the Private Securities Litigation
Reform Act of 1995:

The statements in this quarterly report on Form 10Q regarding future earnings and operations and other statements relating to 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, 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, changes in contractual terms, 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 report.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements included in the Company's April 30, 2005 Annual Report to Stockholders. The Company believes its most critical accounting policies to be the recognition of revenue and costs on production contracts and the valuation of inventory. Each of these areas requires the Company to make use of reasoned estimates including estimating the cost to complete a contract, the realizable value of its inventory or the market value of its products. Changes in estimates can have a material impact on the Company's financial position and results of operations.

Revenue Recognition

Revenues under larger, long-term contracts, generally defined as orders in excess of \$100,000, are reported in operating results using the percentage of completion method. For U.S. Government and other fixed-price contracts that require initial design and development of the product, revenue is recognized on

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

the cost-to-cost method. Under this method, revenue is recorded based upon the ratio that incurred costs bear to total estimated contract costs with related cost of sales recorded as the costs are incurred. Each month management reviews estimated contract costs. The effect of any change in the estimated gross margin percentage for a contract is reflected in revenues in the period in which the change is known. Provisions for anticipated losses on contracts are made in the period in which they become determinable.

On production-type contracts, revenue is recorded as units are delivered with the related cost of sales recognized on each shipment based upon a percentage of estimated final contract costs. Changes in job performance may result in revisions to costs and income and are recognized in the period in which revisions are determined to be required. Provisions for anticipated losses on contracts are made in the period in which they become determinable.

For contracts in the Company's Gillam-FEI and FEI-Zyfer segments, smaller contracts or orders in the other business segments and sales of products and services to customers are reported in operating results based upon shipment of the product or performance of the services pursuant to contractual terms. When payment is contingent upon customer acceptance of the installed system, revenue is deferred until such acceptance is received and installation completed.

Costs and Expenses

Contract costs include all direct material, direct labor, manufacturing overhead and other direct costs related to contract performance. Selling, general and administrative costs are charged to expense as incurred.

Inventory

In accordance with industry practice, inventoried costs contain amounts relating to contracts and programs with long production cycles, a portion of which will not be realized within one year. Inventory reserves are established for slow-moving and obsolete items and are based upon management's experience and expectations for future business. Any changes in reserves arising from revised expectations are reflected in cost of sales in the period the revision is made.

RESULTS OF OPERATIONS

The table below sets forth for the respective periods of fiscal years 2006 and 2005 the percentage of consolidated net sales represented by certain items in the Company's consolidated statements of operations:

	Three months ended July 31,	
	2005	2004
	----	----
Net Sales (exclusive of intercompany sales)		
Commercial Communications	40.8%	63.2%
U.S. Government	17.1	9.8
Gillam-FEI	20.0	15.5
FEI-Zyfer	22.1	11.5
	-----	-----
Cost of Sales	100.0	100.0
	63.0	67.3
	-----	-----
Gross Margin	37.0	32.7
Selling and administrative expenses	23.0	18.6
Research and development expenses	13.0	7.0
	-----	-----
Operating Profit	1.0	7.1
Other income, net & Minority interest	13.6	2.4
	-----	-----
Pretax Income	14.6	9.5
Provision for income taxes	4.3	3.7
	-----	-----
Net Income	10.3%	5.8%
	=====	=====

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

For the three months ended July 31, 2005, the operating profit of \$111,000 decreased by \$1.1 million from the operating profit of \$1.2 million for the same period ended July 31, 2004. The decline in operating profits is principally the result of the 37% decrease in revenues which was offset by improved gross margin and lower selling and administrative expenses, as discussed below. Net income for the first quarter of fiscal year 2006 was \$1.1 million, an increase of \$111,000 over net income of \$1.0 million reported in the same period of fiscal year 2005. During the fiscal year 2006 period the Company realized a gain of \$1 million on the sale of certain marketable securities that were obtained upon the conversion of its REIT units for the common stock of Reckson Associates Realty Corp. ("REIT stock") (Refer to Item 2 of the Company's fiscal year 2005 Form 10-K as filed with the Securities and Exchange Commission.)

Net sales for the three months ended July 31, 2005, decreased by \$6.6 million (37%) from the same period of fiscal year 2005. On a segment by segment basis, the comparison of revenues for the fiscal quarter ended July 31, 2005 to the first quarter of fiscal year 2005 were as follows: Commercial Communications revenues decreased by \$6.3 million (56%); US Government revenues increased by \$146,000 (8%); Gillam-FEI revenues decreased by \$525,000 (19%); and FEI-Zyfer revenues increased by \$411,000 (20%). The Commercial Communications revenues reflect reduced capital spending in the wireless infrastructure industry as end-users continued to delay deployment of next-generation cellular base stations. US Government segment revenues were up modestly as the Company continued work on several developmental, pre-production programs under US Government contracts. Gillam-FEI revenues reflect the decline in telecommunications infrastructure spending in Europe. Revenues for the FEI-Zyfer segment reflect continued improved performance for this subsidiary. The Company expects revenues to improve over the balance of the fiscal year as a result of additional new bookings, principally in the commercial satellite and U.S. Government industries, as well as increased capital spending for telecommunication infrastructures.

Gross margin rates for the three months ended July 31, 2005, improved to 37.1% from 32.7% in the same period of fiscal year 2005. The improvement is attributable to product mix, with the Gillam-FEI segment in particular, realizing a higher margin on certain of its network monitoring programs. Gross margin rates are lower than the Company's target of 40% because the lower sales volume is insufficient to absorb all of the fixed overhead costs. With an increase in sales, the Company expects to realize improving gross margin rates in future periods.

Selling and administrative costs for the three months ended July 31, 2005, decreased by \$749,000 (23%) over the same period of fiscal year 2005. Most of the decrease is attributable to decreased personnel costs both in terms of reduced headcount as well as smaller accruals for incentive compensation plans due to lower profits. Additional decreases were experienced in selling and marketing expenses, including lower sales commissions as a result of decreased sales and lower European-area marketing costs as the Company consolidated its efforts into its Gillam-FEI subsidiary. The ratio of selling and administrative costs to net sales for the first quarter of fiscal year 2006 was 23% which is greater than the Company's target ratio of under 20% of revenues. The higher than targeted cost ratio is primarily due to the revenue level in the fiscal year 2006 quarter. In the comparable fiscal year 2005 period, the ratio of selling and administrative costs to revenues was 19%. In future quarters of fiscal year 2006, as revenues increase from the current level, the Company expects to achieve its targeted ratio of costs to net sales.

Research and development spending in the three months ended July 31, 2005 increased by \$206,000 (17%) over the comparable period ended July 31, 2004. In the prior year fiscal quarter, the lower level of spending reflected the fact that certain developmental resources were applied to funded research contracts rather than internal research and development efforts, the costs of which are borne by the Company. The costs of those resources assigned to funded programs were reflected in cost of sales rather than in research and development expense. With the completion of certain of the developmental programs during the latter portion of fiscal year 2005, those resources are now being applied to internal programs. During fiscal year 2006, the Company will make additional investments in developing manufacturing process improvements for its new US5G wireline synchronization product; improving and miniaturizing rubidium atomic clocks, developing new GPS-based synchronization products and further enhancing the capabilities of its line of crystal oscillators. The Company targets research and development spending at approximately 10% of sales, but the rate of spending can increase or decrease from quarter to quarter as new projects are identified and others are concluded. The Company will continue to devote significant

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

resources to develop new products, enhance existing products and implement efficient manufacturing processes. Where possible, the Company attempts to obtain development contracts from its customers. For programs without such funding, internally generated cash and cash reserves are adequate to fund these development efforts.

Net nonoperating income and expense increased by \$1.1 million (236%) in the three month period ended July 31, 2005 compared to the same period of fiscal year 2005. Investment income increased by \$910,000 (219%) during the first quarter of fiscal year 2006 compared to the same period of fiscal year 2005. The increase is due to the realized gain of approximately \$1.0 million recorded on the sale of a portion of the shares of REIT stock which were obtained during fiscal year 2005 upon the conversion of certain REIT units related to the Company's fiscal year 1998 sale and leaseback of its headquarters building.

Also included in nonoperating income is equity income in Morion, Inc. During the second quarter of fiscal year 2005, the Company increased its ownership interest in Morion to 36% of Morion's outstanding shares. Accordingly, the Company changed its method of accounting from the cost to the equity method and restated prior year financial statements to reflect the appropriate accounting method. The restated equity income from Morion for the first quarter of fiscal year 2005 is \$54,000 as compared to \$144,000 for the quarter ended July 31, 2005. The increase of \$90,000 (167%) is primarily the result of the Company's increased ownership interest from 19% at July 31, 2004 to 36% as of July 31, 2005.

For the three month period ended July 31, 2005, interest expense decreased by \$50,000 (64%) compared to the same period of fiscal year 2005. This decrease resulted from the repayment of the Company's line of credit by the end of fiscal year 2005 as well as the conversion of its REIT units to REIT stock the impact of which is explained in the next paragraph.

Under the provisions of sale and leaseback accounting, until the REIT units were converted, the Company's lease was accounted for as a financing. Accordingly, a portion of its prior year annual rent payments were considered interest expense. For fiscal year 2006, the Company will no longer recognize interest expense but the entire lease payment will be charged to rent expense. In addition, under the caption "Other, net" the Company will recognize the remaining deferred gain from the sale and leaseback transaction. For the quarter ended July 31, 2005, the amount of deferred gain recognized was \$88,000. In the year-ago period, Other, net consisted primarily of a governmental grant received by the Company's French subsidiary. Other income and expense items included under this caption are nonrecurring and generally are not significant to pretax earnings.

The Company is subject to taxation in several countries as well as the states of New York and California. The statutory federal rates vary from 34% in the United States to 35% in Europe. The effective rate is impacted by the income or loss of certain of the Company's European and Asian subsidiaries which are currently not taxed. In addition, the Company utilizes the availability of research and development tax credits in the United States to lower its tax rate. The Company's European subsidiaries have available net operating loss carryforwards of approximately \$2.4 million to offset future taxable income.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet continues to reflect a strong working capital position of \$59 million at July 31, 2005, which is comparable to working capital at April 30, 2005. Included in working capital at July 31, 2005 is \$24.1 million of cash, cash equivalents and marketable securities. The Company's current ratio at July 31, 2005 is 10.9 to 1.

For the three months ended July 31, 2005, the Company used \$4.7 million in cash from operating activities compared to \$1.9 million provided by operations in the comparable fiscal year 2005 period. This significant decrease in cash flows is due primarily to the payment of income taxes related to the investment gains realized in the prior fiscal year as well as increases in the value of the Company's accounts receivable and inventory. For the full fiscal year 2006, the Company expects to generate positive cash flow from operating activities.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

Net cash provided by investing activities for the three months ended July 31, 2005, was \$2.9 million compared to a use of cash of \$2.0 million for the same period of fiscal year 2005. The principal source of cash was the sale or redemption of certain marketable securities aggregating \$3.4 million, net of purchases of other marketable securities. The redemption of marketable securities was primarily to pay the corporate income taxes mentioned above. The Company also acquired capital equipment for approximately \$520,000. The Company may continue to acquire or sell marketable securities as dictated by its investment strategies as well as by the cash requirements for its development activities. Requirements for additional capital equipment are expected to be less than \$2.0 million during fiscal year 2006. Internally generated cash will be adequate to acquire this capital equipment.

Net cash used in financing activities for the three months ended July 31, 2005, was \$852,000 compared to cash used in financing activities in the amount of \$2.2 million during the comparable fiscal year 2005 period. Included in both fiscal periods is payment of the Company's semiannual dividend in the amount of \$852,000 and \$843,000, respectively. During the fiscal year 2005 quarter, the Company repaid \$1.4 million of certain debt obligations.

The Company has been authorized by its Board of Directors to repurchase up to \$5 million worth of shares of its common stock for treasury whenever appropriate opportunities arise but it has neither a formal repurchase plan nor commitments to purchase additional shares in the future. During the quarter ended July 31, 2005, the Company did not acquire any shares of its stock under this authorization.

The Company will continue to expend resources to develop and improve products for wireless and wireline communication systems which management believes will result in future growth and continued profitability. During fiscal year 2006, the Company intends to make a substantial investment of capital and technical resources to develop new products to meet the needs of the U.S. Government, commercial space and commercial communications marketplaces and to invest in more efficient product designs and manufacturing procedures. Where possible, the Company will secure partial customer funding for such development efforts but is targeting to spend its own funds at a rate of approximately 10% of revenues to achieve its development goals. Internally generated cash will be adequate to fund these development efforts.

At July 31, 2005, the Company's backlog amounted to approximately \$31 million similar to the backlog at April 30, 2005. Of this backlog, approximately 80% is realizable in the next twelve months.

Item 3.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

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The Company is exposed to market risk related to changes in interest rates and market values of securities. The Company's investments in fixed income and equity securities were \$16.9 million and \$3.5 million, respectively, at July 31, 2005. The investments are carried at fair value with changes in unrealized gains and losses recorded as adjustments to stockholders' equity. The fair value of investments in marketable securities is generally based on quoted market prices. Typically, the fair market value of investments in fixed interest rate debt securities will increase as interest rates fall and decrease as interest rates rise. Based on the Company's overall interest rate exposure at July 31, 2005, a 10% change in market interest rates would not have a material effect on the fair value of the Company's fixed income securities or results of operations.

Foreign Currency Risk

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The Company is subject to foreign currency translation risk. The Company does not have any near-term intentions to repatriate invested cash in any of its foreign-based subsidiaries. For this reason, the Company does not intend to initiate any exchange rate hedging strategies which could be used to mitigate the effects of foreign currency fluctuations. The effects of foreign currency rate fluctuations will be recorded in the equity section of the balance sheet as a component of other comprehensive income. As of July 31, 2005, the amount related to foreign currency exchange rates is a \$3,115,000 unrealized gain.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

The results of operations of foreign subsidiaries, when translated into US dollars, will reflect the average rates of exchange for the periods presented. As a result, similar results of operations measured in local currencies can vary significantly upon translation into US dollars if exchange rates fluctuate significantly from one period to the next.

Item 4.

Controls and Procedures

Disclosure Controls and Procedures. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEMS 1 through 5 are omitted because they are not applicable.

ITEM 6 - Exhibits

- 31.1 - Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 - Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 - Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 - Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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 14, 2005

BY /s/ Alan Miller

Alan Miller
Chief Financial Officer
and Controller

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

Certification of CEO

I, Martin B. Bloch, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Frequency Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Martin Bloch

September 14, 2005

Martin B. Bloch
Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

Certification of CFO

I, Alan L. Miller, Chief Financial Officer, certify that

1. I have reviewed this quarterly report on Form 10-Q of Frequency Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Alan L. Miller

September 14, 2005

Alan L. Miller
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Certification of CEO

In connection with the Quarterly Report of Frequency Electronics, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin B. Bloch, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Martin Bloch

September 14, 2005

Martin B. Bloch
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Certification of CFO

In connection with the Quarterly Report of Frequency Electronics, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan L. Miller, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alan L. Miller

September 14, 2005

Alan L. Miller
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.