



Frequency Electronics, Inc. Announces First Quarter Fiscal Year 2010 Results

MITCHEL FIELD, N.Y., Sep 11, 2009 (GlobeNewswire via COMTEX News Network) -- Frequency Electronics, Inc. (Nasdaq:FEIM) reported revenues of \$12.4 million for the first quarter of fiscal year 2010, which ended July 31, 2009, compared to \$12.4 million for the preceding quarter and \$13.1 million for the first quarter of fiscal 2009. The Company recorded operating income of \$659,000 for the first quarter, compared to an operating loss of \$3.4 million in the preceding quarter and an operating loss of \$1.3 million in the first quarter of fiscal 2009. The loss in the preceding quarter included a writedown of telecommunications inventory in the amount of \$2.9 million.

Net income for the first quarter of fiscal 2010 was \$654,000 or \$0.08 per diluted share. This is compared to a net loss of \$9.5 million (\$1.17) per diluted share in the preceding quarter and a net loss of \$773,000, or (\$0.09) per diluted share in the first quarter of fiscal 2009. The net loss in the preceding quarter included both the inventory writedown and a \$7.6 million valuation allowance against deferred tax assets.

Chairman of the Board General Joseph Franklin made the following comment: "The operating profit we recorded during the first quarter of fiscal 2010 reflects the Company's initiatives taken in the previous fiscal year. We were able to realize significant cost reductions while maintaining our production capacity and achieving greater operational efficiencies. Taking into account all of these factors, we expect continuing improvement in operations and look forward to reaching our goal of a profitable full fiscal year."

Reports on the Company's major business areas:

- Satellite Payloads: Revenues decreased by approximately 15% from both the previous quarter and the same quarter of fiscal 2009, reflecting the lower level of commercial satellite programs, which have been delayed due to economic conditions. Satellite payloads continue to represent approximately 30% of total revenues.
- U.S. Government/DOD non-satellite programs: Revenues from these programs remained at the same level as the prior year and accounted for approximately 20% of overall business. Subsequent to the end of the quarter, the Company received add-on awards to contracts for its state-of-the-art, low-g sensitivity timing systems for airborne applications and secure communication equipment. For fiscal 2010 and beyond, the Company anticipates that this business area will comprise a larger portion of consolidated revenues.
- Telecommunications infrastructure: Sales of telecommunications equipment increased from the preceding quarter and are up modestly from the same period a year ago. Telecommunications infrastructure revenue remains less than 40% of the Company's total revenues but the mix of revenues from this business area has changed. Shipments of US5G wireline synchronization systems comprise a greater share of telecommunications revenues than in preceding periods.

Reporting segments:

(Including inter-segment sales of \$1.3 million):

- FEI-NY revenues were \$7.1 million compared to \$7.7 million in the

preceding quarter and \$8.8 million in the first quarter of fiscal 2009. The FEI-NY segment includes revenues from all major business areas. During fiscal 2009, responsibility for U.S. domestic marketing, sales and support of the US5G telecommunications infrastructure productline was transferred to FEI-Zyfer.

- Gillam-FEI recorded revenues of \$2.5 million, compared to \$3.6 million in the preceding quarter and \$2.6 million in the first quarter of fiscal 2009. The Gillam-FEI segment includes revenues primarily from wireline telecommunications infrastructure and other network management products, and sales of US5G products to FEI-Zyfer.
- FEI-Zyfer revenues were \$4.2 million, compared to \$3.1 million for the preceding quarter and \$2.3 million in the first quarter of fiscal 2009. FEI-Zyfer's first quarter 2010 revenues include sales (approaching \$1.0 million) originally scheduled to be shipped in the fourth quarter of fiscal 2009. Fiscal 2010 revenues include US5G sales; fiscal 2009 revenues do not. The major source of FEI-Zyfer's sales is from U.S. Government/DOD programs.

Chief Financial Officer Alan Miller provided the following comment on the Company's financial report: "We are very pleased with the operating profit generated in this quarter. We have made every effort to reduce overhead and operating costs and are pleased to see that effort payoff with a much improved gross profit margin. In addition we generated over \$1 million in positive operating cash flow to increase our net cash position (cash, cash equivalents and marketable securities, less borrowings under a line of credit) to \$14.9 million. We will continue to control costs and improve efficiency on our current programs in order to sustain profitable operations at the current revenue level. As business increases we expect to leverage our current operational efficiencies into increased profit margins."

Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on Friday, September 11, 2009, at 10:30 AM Eastern Time. Investors and analysts may access the call by dialing 1-888-587-0627. International callers may dial 1-719-457-2085. Ask for the Frequency Electronics conference call.

The call will be archived on the Company's website through October 15, 2009. The archived call may also be retrieved at 1-888-203-1112 (domestic) or 1-719-457-0820 (international) using Passcode ID 2468410.

About Frequency Electronics

Frequency Electronics, Inc. is a world leader in the design, development and manufacture of high precision timing, frequency control and synchronization products for space and terrestrial applications. Frequency's products are used in commercial, government and military systems, including satellite payloads, missiles, UAVs, aircraft, GPS, secure radios, SCADA, energy exploration and wireline and wireless communication networks. Frequency has received over 60 awards of excellence for achievements in providing high performance electronic assemblies for over 120 space programs. The Company invests significant resources in research and development and strategic acquisitions world-wide to expand its capabilities and markets. Subsidiaries and Affiliates: Gillam-FEI provides expertise in wireline network synchronization and SCADA; FEI-Zyfer provides GPS and secure timing ("SAASM") capabilities for critical military and commercial applications; FEI-Asia provides cost effective manufacturing and distribution capabilities in a high growth market. Frequency's Morion affiliate supplies high-quality, cost effective quartz oscillators and components. Elcom Technologies provides added resources for state-of-the-art RF microwave products. Additional information is available on the Company'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
Condensed Consolidated Statement of Operations

	Quarter Ended	
	July 31,	
	2009	2008
	----	----
	(unaudited)	
	(in thousands	
	except per share data)	
Net Revenues	\$ 12,442	\$ 13,063
Cost of Revenues	8,141	9,872
	-----	-----
Gross Margin	4,301	3,191
Selling and Administrative	2,567	3,116
Research and Development	1,075	1,365
	-----	-----
Operating Profit (Loss)	659	(1,290)
Interest and Other, net	(5)	192
	-----	-----
Income before Income Taxes	654	(1,098)
Income Tax Benefit	--	(325)
	-----	-----
Net Income (Loss)	\$ 654	\$ (773)
	=====	=====
Net Income (Loss) per Common Share:		
Basic	\$ 0.08	\$ (0.09)
	=====	=====
Diluted	\$ 0.08	\$ (0.09)
	=====	=====
Average Common Shares Outstanding:		
Basic	8,164,627	8,742,086
	=====	=====
Diluted	8,172,080	8,742,086
	=====	=====

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	July 31,	April 30,
	2009	2009
	----	----
	(in thousands)	
ASSETS		

Cash & Marketable Securities	\$ 15,983	\$ 14,909
Accounts Receivable	10,778	10,775
Costs and Estimated Earnings in Excess of Billings	3,083	2,193
Inventories	26,589	26,051
Other Current Assets	1,780	2,143
Property, Plant & Equipment	7,693	7,961

Other Assets	13,964	13,888
	-----	-----
	\$ 79,870	\$ 77,920
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$ 8,371	\$ 8,040
Long-term Obligations and Other	10,734	10,714
Stockholders' Equity	60,765	59,166
	-----	-----
	\$ 79,870	\$ 77,920
	=====	=====

This news release was distributed by GlobeNewswire, www.globenewswire.com

SOURCE: Frequency Electronics, Inc.

CONTACT: Frequency Electronics, Inc.
 Alan Miller, CFO
 General Joseph P. Franklin, Chairman
 (516) 794-4500
www.frequencyelectronics.com

(C) Copyright 2009 GlobeNewswire, Inc. All rights reserved.

News Provided by COMTEX