



Frequency Electronics Announces Results for 3rd Quarter Fiscal 2004

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MITCHEL FIELD, N.Y.--(BUSINESS WIRE)--March 10, 2004--Frequency Electronics, Inc. (AMEX-FEI) today announced that revenues for the third quarter of fiscal year 2004, which ended 31 January 2004, were \$14.1 million, up over 40% compared to \$10.0 million for the preceding quarter of fiscal 2004 and \$9.4 million in the third quarter of fiscal 2003. For the nine month period ended 31 January 2004, revenues were \$32.8 million, up 34% compared to \$24.5 million in the first nine months of the previous fiscal year.

In the third quarter, the Company recorded net income of \$333,000 (\$0.04 per diluted share) compared to a net loss of \$234,000 (\$0.03 per diluted share) for the preceding quarter, and net income of \$239,000 (\$0.03 per diluted share) in the same quarter of fiscal 2003. For the nine month period ended 31 January 2004, the Company recorded a net loss of \$643,000 (\$0.08 per diluted share) compared to a break-even result in the first nine months of fiscal 2003.

Chairman of the Board, General Joseph Franklin said: "The strong uptrend in revenues and operating results is continuing. Bookings were exceptionally high during this past quarter, approaching \$20 million, the highest for any comparable period at FEI. Accordingly, our outlook remains very positive for the rest of this fiscal year and beyond."

Revenues from FEI's largest business segment, Commercial Communications, rose to \$8.0 million during the third quarter of fiscal 2004, up from \$6.1 million in the preceding quarter and \$4.9 million in the same period of fiscal 2003. For the nine month period ended 31 January 2004, revenues were \$19.0 million, up from \$12 million in the same period last year. Margins increased substantially over fiscal 2003. Nine month revenues included \$1.5 million from commercial satellite business, an increase of over 50% from the total for this business for all of fiscal 2003.

Third quarter revenues for the US Government segment were \$1.7 million, compared to \$2.0 million in the preceding quarter and \$2.6 million in the same period last year. For the nine month period ended 31 January 2004, revenues were \$5.3 million compared to \$6.9 million in the same period last year. Revenues from this segment were derived principally from initial and early development work on major DOD multi-year programs. Also during this quarter FEI was awarded a \$1.0 million contract for the next-phase development of secure radio timing systems.

Third quarter revenues for Gillam-FEI were \$2.7 million, up from \$1.2 million in the preceding quarter and \$2.1 million in the same period last year. For the nine month period ended 31 January 2004, revenues were \$5.2 million, compared to \$6.1 million in the first nine months of fiscal 2003. During this quarter Gillam recorded an operating loss of \$772,000, which included a \$305,000 restructuring charge in connection with the phase-out of certain business operations at SATEL, its French subsidiary, and \$457,000 in research and development expenses principally for the US5G. Both the restructuring at SATEL and the US5G development have been substantially completed.

Revenues for FEI-Zyfer, acquired at the beginning of fiscal 2004, were \$2.0 million during this quarter, up from \$912,000 and \$1.1 million, respectively, in the two preceding quarters. FEI-Zyfer achieved its first profitable quarter with operating income of \$102,000, compared to a net loss of \$1.1 million in the preceding six months.

Reviewing the Company's progress, Martin Bloch, President and Chief Executive Officer, said: "I am especially pleased to report that Gillam-FEI has developed an exceptional synchronization system in the US5G, with features and cost-effectiveness that should be very well received by U.S. telecommunication service providers. We expect to realize significant returns both here and at Gillam-FEI from our investments in the US5G. FEI-Zyfer, the newest member of the FEI family, has already made important contributions to our new timing systems for deep earth energy exploration and for military applications, and is ahead of schedule in reaching profitability. In our commercial satellite business, results indicate the beginning of a strong upturn. We are well prepared to take advantage of the many opportunities that lie ahead for FEI."

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

ASSETS

Cash & Marketable Securities	\$ 30,521	\$ 33,781
Accounts Receivable	14,023	9,565
Inventories	22,869	17,734
Other Current Assets	6,532	6,856
Property, Plant & Equipment	11,608	11,105
Other Assets	7,299	6,688
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	\$ 92,852	\$ 85,729
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$ 11,759	\$ 5,922
Long-term Obligations and Other	17,886	18,098
Stockholders' Equity	63,207	61,709
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	\$ 92,852	\$ 85,729
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