



Frequency Electronics, Inc. Announces Third Quarter Fiscal Year 2007 Results

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MITCHEL FIELD, N.Y., Mar 14, 2007 (PrimeNewswire via COMTEX News Network) -- Frequency Electronics, Inc. (Nasdaq:FEIM) reported revenues of \$12.1 million for the third quarter of fiscal year 2007, which ended January 31, 2007, compared to \$15.1 million for the same period of fiscal 2006. For the nine month period ended January 31, 2007, revenues were \$40.8 million compared to \$37.7 million in the same period of the previous fiscal year.

As previously announced, increased estimates of final costs on certain commercial satellite programs delayed the recognition of revenue on these programs until future periods. Also, quarterly profits were reduced by increased engineering expenses on these programs as well as internally funded development for future satellite payload projects. Operating loss for the third quarter was \$1.7 million compared to an operating profit of \$1.2 million in the same quarter of fiscal 2006. For the first nine months of fiscal 2007, the operating loss was \$1.0 million compared to operating profit of \$1.4 million for the first nine months in the preceding year. Net loss for the third quarter was \$754,000, or (\$0.09) per diluted share. For the same period last year, net income was \$1.2 million, or \$0.14 per diluted share. For the first nine months of fiscal 2007, net income was \$332,000 or \$0.04 per diluted share, compared to \$3.7 million, or \$0.43 per diluted share, in the same period of fiscal 2006, which included pre-tax gains of \$2.8 million from the sale of real property and marketable securities.

Chairman of the Board, General Joseph Franklin, said, "Our fiscal 2007 revenues have increased by 8% year over year. This is due in large part to the strong increase in our commercial and US Government satellite payload business. Despite a delay in recognition of certain revenues this past quarter, we expect to finish this year with increased revenues over last year. We have made sizable investments aimed at increasing our capacity. Our affiliation with Elcom, reported earlier this year, has already contributed to enhanced manufacturing designs. We see these investments generating large future returns from the rapidly increasing demand for our advanced satellite payload products. Our focus is on revenue growth, both internal and from additional acquisitions and partnerships."

Reporting on the Company's three major business areas (Satellite Payloads, U.S. Government/DOD non-satellite programs and Telecommunications Infrastructure):

- Satellite Payload bookings increased significantly during the third quarter which included two additional major satellite programs and preliminary funding for a third. Revenues from satellite payload programs increased more than 20% year over year. Proposal activity remains very high.
- U.S. Government/DOD nine-month revenues were down over 20% from fiscal year 2006 due primarily to lower sales at FEI-Zyfer. Our expectations for long-range government programs remain high but funding is being released more slowly than expected.
- Telecommunication Infrastructure shipments dropped significantly during the quarter but revenues for the first nine months were up almost 5% year over year. Orders from our major wireless customers indicate renewed growth for the balance of this year and beyond. The Company is building an inventory of US5G wireline units in anticipation of sales in the upcoming fiscal year.

For the Company's reporting segments during this quarter, including intersegment sales of \$1.3 million for the nine months of fiscal 2007 and \$1.4 million for the same period of fiscal 2006:

- Revenues for the FEI-NY segment were \$8.2 million for the third quarter, down from \$10.4 million in the third quarter of fiscal 2006. For the nine months of fiscal year 2007 revenues were \$28.4 million, up from \$24.9 million for the same period of the prior year. The FEI-NY segment includes revenues from all major business areas.
- The Gillam-FEI segment recorded revenues of \$3.0 million for this quarter compared to \$2.1 million for the same period of fiscal 2006. Revenues for the nine months of fiscal 2007 were \$7.5 million, up from \$6.2 million in the same period of fiscal 2006. The Gillam-FEI segment includes revenues primarily from wireline telecommunications infrastructure and from other network management products.
- Revenues for the FEI-Zyfer segment were \$1.4 million for the third quarter down from \$2.8 million in the third quarter of fiscal 2006. For the nine months of fiscal 2007, revenues were \$6.2 million compared to \$7.9 million for the same period of fiscal 2006. Approximately two-thirds of FEI-Zyfer's revenues are derived from US Government/DOD programs.

Commenting on these results, Chief Financial Officer, Alan Miller, observed, "Over the last nine months, we expended \$6.6 million on research and development, an increase of \$2.5 million over the same period of fiscal 2006. This increase more than accounts for the difference between the operating profit in the prior year and the operating loss in the current year. During the third quarter inventory increased \$4 million, the largest portion of which was for wireless assemblies, guaranteed for purchase by our OEM customers."

Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on Wednesday, March 14, 2007, at 1:00 PM Eastern Time. Investors and analysts may access the call by dialing 1-800-811-7286. International callers may dial 1-913-981-4902. Ask for the Frequency Electronics conference call.

The call will also be available at the Investor Relations section of the Company's website at www.frequencyelectronics.com or at Thomson/CCBN's individual investor center at www.earnings.com or by visiting any of the investor sites in Thomson/CCBN's Individual Investor Network such as America Online's Personal Finance Channel, Fidelity Investments(r) (Fidelity.com) and others.

The call will be archived on the Company's website through April 13, 2007. The archived call may also be retrieved at 1-888-203-1112 (domestic) or 1-719-457-0820 (international) using Passcode ID 5483767.

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
Consolidated Condensed Summary of Operations

	Quarter Ended		Nine Months Ended	
	January 31,		January 31,	
	2007	2006	2007	2006
	(unaudited)		(unaudited)	
	(in thousands except per share data)			
Net Sales	\$ 12,117	\$ 15,113	\$ 40,751	\$ 37,668
Cost of Sales	8,340	9,651	26,781	24,011
Gross Margin	3,777	5,462	13,970	13,657
Selling and Administrative	2,889	3,077	8,344	8,154
Research and Development	2,600	1,173	6,628	4,124
Operating (Loss) Profit	(1,712)	1,212	(1,002)	1,379
Interest and Other, Net	650	616	1,547	4,219
(Loss) Income before Income Taxes	(1,062)	1,828	545	5,598
Income Tax (Benefit) Provision	(308)	580	213	1,876
Net (Loss) Income	\$ (754)	\$ 1,248	\$ 332	\$ 3,722
Net (Loss) Income per Share:				

Basic	\$ (0.09)	\$ 0.15	\$ 0.04	\$ 0.44
	=====	=====	=====	=====
Diluted	\$ (0.09)	\$ 0.14	\$ 0.04	\$ 0.43
	=====	=====	=====	=====
Average Shares				
Outstanding				
Basic	8,633,283	8,541,519	8,600,700	8,530,926
	=====	=====	=====	=====
Diluted	8,633,283	8,674,434	8,747,110	8,668,685
	=====	=====	=====	=====

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	January 31, 2007	April 30, 2006
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	(in thousands)	
ASSETS		
Cash & Marketable Securities	\$ 17,938	\$ 24,475
Accounts Receivable	10,985	15,868
Inventories	30,546	22,971
Other Current Assets	4,097	3,449
Property, Plant & Equipment	7,152	6,663
Other Assets	18,191	13,315
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	\$ 88,909	\$ 86,741
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	\$ 7,197	\$ 6,988
Long-term Obligations and Other	9,226	9,120
Stockholders' Equity	72,486	70,633
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	\$ 88,909	\$ 86,741
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SOURCE: Frequency Electronics, Inc.

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