



Frequency Electronics Announces Results for Third Quarter Fiscal Year 2006

MITCHEL FIELD, N.Y.--(BUSINESS WIRE)--March 9, 2006--Frequency Electronics, Inc. (AMEX:FEI) reported that revenues for the third quarter of fiscal year 2006, which ended January 31, 2006, were \$15.1 million compared to \$11.2 million for the same period of fiscal 2005, and \$11.5 million for the prior quarter of fiscal 2006. For the nine-month period ended January 31, 2006, revenues were \$37.7 million compared to \$43.3 million in the first nine months of the previous fiscal year.

In the third quarter, the Company recorded net income of \$1.3 million, \$0.14 per diluted share, compared to a loss of \$368,000, (\$0.04) per diluted share, in the same quarter of fiscal 2005. For the nine month period ended January 31, 2006, net income was \$3.7 million, \$0.43 per diluted share, compared to \$1.5 million, \$0.17 per diluted share, in the same period of the previous fiscal year. The nine-month period of fiscal 2006 includes realized gains on sales of marketable securities and real property. Operating income for the third quarter was \$1.2 million compared to an \$899,000 operating loss in the third quarter of fiscal 2005. For the first nine months of fiscal year 2006 operating income was \$1.4 million compared to \$1.1 million in the same period of the prior year.

Commenting on this report, Chairman of the Board General Joseph Franklin said: "We are very pleased with these results. Revenues are rising, as we had anticipated, up over 30% compared to the revenues in each of the preceding quarters of this fiscal year. Operating profit increased over 25% for the first nine months compared to the same period last year. Looking ahead, we see significant opportunities in both military and commercial space programs, as well as wireless and wireline markets. Based on bookings to date, our outlook is very optimistic for the rest of this year and beyond."

Revenues for the Commercial Communications segment were \$9.2 million for this past quarter and \$20.1 million for the first nine months of fiscal 2006. Revenues for the first nine months of fiscal 2005 were \$25.4 million. Sales to wireless infrastructure OEM's increased sequentially this past quarter, but have not yet reached the levels realized in early fiscal 2005. Over 30% of fiscal 2006 revenues in this segment were generated by commercial satellite sales, continuing the strong growth that began late last year.

Third quarter revenues for the US Government segment were \$1.1 million and \$4.8 million for the first nine months of fiscal 2006. Revenues for the first nine months of last year were \$4.3 million. FEI-Zyfer's revenues, a majority of which are derived from US Government programs, were \$2.8 million for the third quarter and \$7.9 million for the first nine months of fiscal 2006. In fiscal 2005, FEI-Zyfer's revenues were \$6.6 million for the first nine months. Government-related sales for fiscal 2006 are in excess of 25% of the Company's total sales, compared to approximately 20% for full fiscal year 2005.

Gillam-FEI recorded revenues of \$2.1 million for the third quarter and \$5.8 million for the first nine months of fiscal 2006, compared to \$7.6 million for the first nine months of fiscal 2005. Intercompany R&D sales are not included in these figures. Gillam-FEI continues development of new products for telecommunications synchronization. Excluding intercompany R&D sales, fiscal 2006 fourth quarter revenues are expected to increase sequentially, but full year revenues will not reach the level obtained in fiscal 2005.

Research and development expenses were \$1.2 million for the third quarter and \$4.1 million for the first nine months of fiscal 2006. R&D expenses for the first nine months of fiscal 2005 were \$4.9 million. The decrease in internally funded research and development spending reflects the allocation of engineering resources to customer-funded programs in the fiscal year 2006 periods.

Chief Financial Officer Alan Miller added the following comment: "The third quarter's sequentially higher revenues and improved gross margin have generated significantly higher operating profit compared to the first half of fiscal 2006. Excluding the impact of reduced spending on internal research and development programs, third quarter operating profit increased by over \$800 thousand from each of the first two quarters of fiscal year 2006. This increased operating profit is in excess of 20% of the increase in quarter-to-quarter revenues. This demonstrates the operating leverage we achieve with higher sales, cost controls and more efficient operations. As revenues continue at this increased level we expect to realize greater operating profits in the last quarter of this year and into fiscal 2007."

Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on March 9, 2006 at 11:30 AM Eastern Time. Investors and analysts may access the call by dialing 1-800-289-0517. International callers may dial 1-913-981-5529. Ask for the Frequency conference call.

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

The call will be archived on the Company's website through April 8, 2006. The archived call may also be retrieved at 1-888-203-1112 (domestic) or 1-719-457-0820 (international) using Passcode ID 9842643.

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. The Company's products are used in commercial, government and military systems, including satellite payloads, missiles, UAVs, piloted aircraft, GPS, secure radios, SCADA, energy exploration and wireline and wireless communication networks. The Company 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. The Company's Belgium-based Gillam-FEI subsidiary provides the Company with expertise in wireline network synchronization, monitoring and SCADA. FEI-Zyfer in Anaheim, CA, provides GPS and secure timing ("SAASM") capabilities for critical military and commercial applications. The Company has an affiliate in St. Petersburg, Russia which supplies high-quality, cost effective quartz oscillators and components. Additionally, the Company operates a new, modern manufacturing facility in Tianjin, China through its wholly-owned subsidiary, FEI-Asia. 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, 2006	2005	January 31, 2006	2005
	(unaudited)		(unaudited)	
	(in thousands except per share data)			
Net Sales	\$ 15,113	\$ 11,222	\$ 37,668	\$ 43,266
Cost of Sales	9,651	7,529	24,011	28,537
Gross Margin	5,462	3,693	13,657	14,729
Selling and Administrative	3,077	2,567	8,154	8,759
Research and Development	1,173	2,025	4,123	4,850
Operating Profit				
(Loss)	1,212	(899)	1,380	1,120
Interest and Other, Net	616	361	4,218	1,225
Income (Loss) before Taxes				
& Minority Interest	1,828	(538)	5,598	2,345
Minority Interest	-	-	-	(1)
Income (Loss) before				
Income Taxes	1,828	(538)	5,598	2,346

Income Tax Provision (Benefit)	580	(170)	1,876	830
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Net Income (Loss)	\$ 1,248	\$ (368)	\$ 3,722	\$ 1,516
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Net Income (Loss) per
Share:

Basic	\$ 0.15	\$ (0.04)	\$ 0.44	\$ 0.18
	=====	=====	=====	=====
Diluted	\$ 0.14	\$ (0.04)	\$ 0.43	\$ 0.17
	=====	=====	=====	=====

Average Shares Outstanding

Basic	8,541,519	8,499,274	8,530,926	8,473,679
	=====	=====	=====	=====
Diluted	8,674,434	8,499,274	8,668,685	8,682,099
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Frequency Electronics, Inc. and Subsidiaries
Consolidated Condensed Balance Sheets

	January 31, 2006	April 30, 2005
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	(in thousands)	
ASSETS		
Cash & Marketable Securities	\$ 26,327	\$ 30,233
Accounts Receivable	14,850	12,728
Inventories	23,445	22,948
Other Current Assets	4,211	3,631
Property, Plant & Equipment	6,187	6,770
Other Assets	12,868	12,064
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	\$ 87,888	\$ 88,374
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	\$ 8,335	\$ 9,844
Long-term Obligations and Other	9,069	9,337
Stockholders' Equity	70,484	69,193
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	\$ 87,888	\$ 88,374
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SOURCE: Frequency Electronics, Inc.