



Frequency Electronics, Inc. Announces Second Quarter Fiscal Year 2009 Results

MITCHEL FIELD, N.Y., Dec 12, 2008 (GlobeNewswire via COMTEX News Network) -- Frequency Electronics, Inc. (Nasdaq:FEIM) reported revenues of \$14.0 million for the second quarter of fiscal year 2009, which ended October 31, 2008, compared to \$13.1 million for the preceding quarter and \$17.5 million for the same period of fiscal 2008. Revenues for the first six months of fiscal 2009 were \$27.1 million compared to \$33.1 million for the same period of fiscal 2008.

Operating loss for the second quarter of fiscal 2009 was \$994,000, down from \$1.3 million in the preceding quarter, and compared to an operating profit of \$376,000 in the second quarter of fiscal 2008. For the first six months of fiscal 2009, operating loss was \$2.3 million compared to a \$416,000 loss for the same period in the previous fiscal year.

Net loss for the second quarter of fiscal 2009 was \$894,000, or (\$0.11) per diluted share, compared to a net loss of \$773,000, or (\$0.09) per diluted share in the preceding quarter, and net income of \$409,000 in the second quarter of fiscal 2008. Net loss for the first six months of fiscal 2009 was \$1.7 million, or (\$0.20) per diluted share, compared to net income of \$1.8 million in the same period of fiscal 2008, which included a pre-tax gain of \$3.0 million on a sale of assets.

Chairman of the Board General Joseph Franklin made the following comments: "These results reflect the unanticipated costs incurred on three large satellite programs during the last three quarters. These extraordinary costs are now fully behind us, and Frequency Electronics is fortunate to be in a strong financial position. During the last quarter we generated more than \$2.5 million in positive cash flow from operations. We have over \$55 million in working capital and a healthy cash position. Like many other companies responding to today's uncertain business outlook, we have reduced personnel, cut costs, and streamlined operations and inventories to insure that we will remain financially sound. As we go through this period of global economic turmoil, we are positioning our new products to address larger market opportunities which lie ahead. Our objectives are to get stronger, get bigger, and be profitable."

Reports on the Company's major business areas:

- Satellite Payloads: Revenues from this business area in the second quarter were moderately higher than the preceding quarter, remaining at approximately 30% of overall revenues. Compared to the same periods of the preceding year, revenues were down almost 40% year-over-year. Revenues from US Government space programs almost doubled from last year's rate and bookings remained strong. Revenues from commercial satellite programs, however, dropped 75% year-over-year. Tighter credit conditions have had a major impact on the funding and timing of commercial space programs.
- U.S. Government/DOD non-satellite programs: Revenues from this business area rose from the preceding quarter, increasing to nearly 20% of consolidated revenues, compared to 15% last year. During this quarter, Frequency was awarded additional new development contracts for secure communications, high resolution radar, and ELINT (electronic intelligence) applications utilizing Frequency's proprietary low-g sensitivity and low phase noise technologies. These technologies, along with the ability to provide superior performance in harsh environments, are becoming more and more critical for all DOD electronic systems. The importance of incorporating these technologies into military systems should generate significant growth in future budget cycles.
- Telecommunications infrastructure: Sales of telecommunications equipment increased approximately 10% over the preceding quarter,

comprising 40% of the Company's overall revenues. The rise in second quarter revenues resulted from the first large, multiple unit sales of FEI's new US5G wireline synchronization system, which more than offset a decline in sales of wireless products. For the first six months, year-over-year, telecommunications infrastructure sales remained steady.

Reporting segments:

(Including inter-segment sales of \$270,000 in the second quarter of fiscal 2009, \$702,000 in the previous quarter, and \$844,000 in the second quarter of fiscal 2008.)

- FEI-NY revenues were \$9.8 million, compared to \$8.8 million in the preceding quarter, and \$13.6 million in the second quarter of fiscal 2008. The FEI-NY segment includes revenues from all major business areas.
- Gillam-FEI recorded revenues of \$2.7 million for this quarter, compared to \$2.6 million in the preceding quarter and \$2.5 million in the second quarter of fiscal 2008. The Gillam-FEI segment includes revenues primarily from wireline telecommunications infrastructure and from other network management products.
- FEI-Zyfer revenues were \$1.8 million for this quarter, compared to \$2.3 million for the preceding quarter and \$2.3 million in the second quarter of fiscal 2008. The majority of FEI-Zyfer's sales are derived from US Government/DOD programs.

Chief Financial Officer Alan Miller provided the following comment on the Company's financial report: "As expected, during the second quarter we generated \$2.54 million in operating cash flow and we are cash flow positive for the fiscal year to-date. We expect this trend to continue as we achieve additional milestones on major satellite and government programs and as we make progress on our significant cost-plus-fee contracts. Our cost cutting efforts should result in improved gross margins and yield operating profits over the balance of this fiscal year."

Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on Friday, December 12, 2008, at 2:30 PM Eastern Time. Investors and analysts may access the call by dialing 1-877-852-6575. International callers may dial 1-719-325-4779. Ask for the Frequency Electronics conference call.

The call will be archived on the Company's website through January 12, 2009. The archived call may also be retrieved at 1-888-203-1112 (domestic) or 1-719-457-0820 (international) using Passcode ID 4841862.

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		Six Months Ended	
	October 31,		October 31,	
	2008	2007	2008	2007
	(unaudited)		(unaudited)	
	(in thousands except per share data)			
Revenues	\$ 14,026	\$ 17,494	\$ 27,089	\$ 33,051
Cost of Revenues	11,311	12,024	21,183	23,110
Gross Margin	2,715	5,470	5,906	9,941
Selling and Administrative	2,835	3,285	5,951	6,371
Research and Development	874	1,809	2,239	3,986
Operating (Loss) Profit	(994)	376	(2,284)	(416)
Interest and Other, Net	(252)	377	(59)	3,409
(Loss) Income before Income Taxes	(1,246)	753	(2,343)	2,993
Income Tax (Benefit) Provision	(352)	344	(677)	1,204
Net (Loss) Income	\$ (894)	\$ 409	\$ (1,666)	\$ 1,789
Net (Loss) Income per Share:				
Basic	\$ (0.11)	\$ 0.05	\$ (0.20)	\$ 0.21
Diluted	\$ (0.11)	\$ 0.05	\$ (0.20)	\$ 0.20
Average Shares Outstanding				
Basic	8,304,288	8,699,133	8,523,187	8,697,080
Diluted	8,304,288	8,783,992	8,523,187	8,783,792

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

Oct. 31, April 30,
2008 2008

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(in thousands)

ASSETS

Cash & Marketable Securities	\$13,306	\$15,443
Accounts Receivable	13,488	10,271
Costs and Estimated Earnings in Excess of Billings	4,307	9,556
Inventories	29,486	30,218
Other Current Assets	6,203	5,496
Property, Plant & Equipment	8,663	9,531
Other Assets	16,282	16,405
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	\$91,735	\$96,920
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$11,506	\$12,077
Long-term Obligations and Other	11,142	11,233
Stockholders' Equity	69,087	73,610
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	\$91,735	\$96,920
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SOURCE: Frequency Electronics, Inc.

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