



Frequency Electronics, Inc. Announces First Quarter Fiscal Year 2006 Results

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MITCHEL FIELD, N.Y.--(BUSINESS WIRE)--Sept. 14, 2005--Frequency Electronics, Inc. (AMEX-FEI) announced today that revenues for the first quarter of fiscal year 2006, which ended 31 July 2005, were \$11.1 million, compared to \$11.9 million for the preceding quarter and \$17.7 million in the first quarter of fiscal year 2005.

For the period ended July 31, 2005, the Company recorded net income of \$1.1 million or \$0.13 per diluted share, compared to net income of \$3.5 million in the preceding quarter or \$0.41 per diluted share, and net income of \$1.0 million or \$0.12 per diluted share in the same quarter of fiscal year 2005. In the first quarter of fiscal year 2006, the Company realized an operating profit of \$111,000 compared to an operating loss of \$2.4 million in the preceding quarter and an operating profit of \$1.2 million in the same period a year ago. During the first quarter of this year, the Company recognized a pre-tax gain on the sale of marketable securities in the amount of \$1.0 million while in the fourth quarter of fiscal year 2005, the Company recognized pre-tax gains on a real estate transaction and the related sale of marketable securities in the aggregate amount of \$6.9 million.

Commenting on the Company's first quarter, Chairman of the Board General Joseph Franklin said: "These results were in line with our expectations that the current year would start slowly and ramp up as the year goes forward, reversing the profile of fiscal 2005. Even with lower overall revenues, we realized an operating profit and improved our margins over the fourth quarter of fiscal 2005. We are particularly pleased that during the first four months of fiscal 2006 we booked over \$30 million of new orders, including the award of two contracts from a major satellite integrator totaling more than \$13 million which was announced after the quarter ended. These awards reflect an important trend of increased outsourcing in the satellite business. We expect to realize great future benefits from this trend due to the unique, proprietary technology we have developed at FEI. Based on our strong bookings and brisk proposal activity we expect fiscal 2006 revenues and operating profits to exceed the levels of fiscal 2005."

Revenues from FEI's largest business segment, Commercial Communications, were \$5.0 million during the first quarter of fiscal 2006, compared to \$6.1 million in the last quarter of fiscal 2005 and to \$11.3 million in the year-ago quarter. These results continued to reflect the lower levels of sales to the wireless infrastructure industry that began in the latter half of fiscal 2005.

First quarter revenues for the US Government segment, which includes DOD, were \$1.9 million, compared to \$1.3 million in the preceding quarter and \$1.7 million in the first quarter of the prior year. Revenues for FEI-Zyfer, which are predominately from US Government sales, were \$2.4 million during this quarter, up from \$2.2 million in the last quarter of fiscal 2005 and \$2.0 million in the first quarter of fiscal 2005. Taken together, these figures represent healthy growth in US Government business and reinforce our expectation that it will be a larger share of corporate revenues in the future.

First quarter revenues for Gillam-FEI were \$2.2 million, compared to \$2.9 million (net of intercompany sales of \$2.0 million) in the fourth quarter of the last fiscal year and \$2.7 million in the same period of fiscal 2005. In the quarter just ended, Gillam-FEI generated significantly higher margins than in any prior period since acquisition due to a larger proportion of sales of network monitoring software systems in its product mix.

According to Chief Financial Officer Alan Miller, "During the quarter the Company paid income taxes of \$3.0 million and dividends of \$850,000. Net increases in receivables and inventory totaled \$1.4 million and the Company made capital expenditures of \$500,000. These were the major components of a reduction in cash and marketable securities of \$6.1 million. For the full fiscal year, we expect to generate positive cash flow from operations."

Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on September 14, at 1:00 PM Eastern Time. Investors and analysts may access the call by dialing 1-800-269-6183. International callers may dial 1-719-457-2682. Ask for the Frequency conference call.

The call will also be available at the Company's website at www.frequencyelectronics.com or at Thomson/CCBN's individual investor center at www.companyboardroom.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®; (Fidelity.com) and others.

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Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

July 31, April 30,
2005 2005

(in thousands)

ASSETS

Cash & Marketable Securities	\$ 24,138	\$ 30,233
Accounts Receivable	13,385	12,728
Inventories	23,708	22,948
Other Current Assets	4,290	3,631
Property, Plant & Equipment	6,708	6,770
Other Assets	12,249	12,064
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	\$ 84,478	\$ 88,374
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$ 6,024	\$ 9,844
Long-term Obligations and Other	9,307	9,337
Stockholders' Equity	69,147	69,193
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	\$ 84,478	\$ 88,374
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CONTACT: Frequency Electronics
General Joseph P. Franklin, 516-794-4500
www.frequencyelectronics.com

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