



## Frequency Electronics, Inc. Announces First Quarter Fiscal Year 2004 Results

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MITCHEL FIELD, N.Y., Sep 11, 2003 (BUSINESS WIRE) -- Frequency Electronics, Inc. (AMEX-FEI) today announced that revenues for the first quarter of Fiscal Year 2004, which ended July 31, 2003, were \$8.8 million, compared to \$6.8 million for the same period of fiscal 2003. The Company recorded a net loss of \$742,000 (\$0.09 per diluted share) compared to a net loss of \$489,000 (\$0.06 per diluted share) in the first quarter of fiscal 2003. The results for this period included an operating loss of \$475,000 from the Company's newly-acquired subsidiary, FEI-Zyfer. Chairman of the Board General Joseph Franklin noted: "The results for each of our business segments, including those for FEI-Zyfer, met or exceeded our expectations for this period. Viewed in context with events during and after the close of the quarter, they support our very positive outlook for the balance of fiscal 2004."

Gillam-FEI's first quarter revenues were \$1.3 million, compared to \$1.9 million in the first quarter of fiscal 2003, and \$2.0 million in the preceding quarter, reflecting the revenue trough that has recently characterized the European telecommunications markets. During the past quarter, Gillam-FEI negotiated and subsequently booked its largest contract, over \$4 million, since being acquired by FEI. (See FEI Press Release dated September 4, 2003.)

First quarter revenues for the commercial communications segment were \$4.9 million, an increase of over 50% from \$3.2 million in the first quarter of FY03, and \$3.0 million in the preceding quarter. After the close of the quarter, the company announced two new contracts to manufacture reference oscillators, and to develop a new family of these oscillators, for space applications. (See FEI Press Releases dated August 5 and August 19, 2003.)

First quarter revenues for US Government business were \$1.6 million, compared to \$1.8 million in the same quarter in FY03, and \$2.0 million in the preceding quarter. During the quarter, proposal activity remained high as the Company continued work on important development contracts related to several large government programs.

FEI-Zyfer recorded revenues of \$912,000, essentially unchanged from its rate of sales prior to joining the FEI corporate family. This is in line with plans when the acquisition took place. Since the close of the quarter, the FEI-Zyfer transition has been substantially completed. (See FEI Press Release dated May 12, 2003.)

R&D expenditures during this period were \$429,000 for Gillam-FEI, \$285,000 for FEI-Zyfer, and \$954,000 for commercial communications and US Government business. Commenting on the Company's R&D activities, President and CEO Martin Bloch said: "We are making great progress at Gillam-FEI on time synchronization equipment for the US and international markets. We have also made a significant breakthrough on low-g sensitivity oscillators critical for defense and other secure applications, and we continue the development of GPS systems at FEI-Zyfer."

### 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 satellite and terrestrial voice, video and data telecommunications. The Company's technologies provide unique solutions that are essential building blocks for the next generation of broadband wireless and fiber optic communications systems, and for the ongoing expansion of existing wireless and wireline networks. Additional information is available on FEI's website: [www.frequencyelectronics.com](http://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 July 31,	
	2003	2002
	(unaudited)	
	(in thousands except per share data)	
Net Sales	\$ 8,754	\$ 6,828
Cost of Sales	6,187	4,773
Gross Margin	2,567	2,055
Selling and Administrative	2,536	2,053
Research and Development	1,668	983
Operating Loss	(1,637)	(981)
Interest and Other, net	700	290
Loss before Taxes and Minority Interest	(937)	(691)
Minority Interest in loss of subsidiary	(55)	(10)
Loss before Income Taxes	(882)	(681)
Income Tax Benefit	(140)	(192)
Net Loss	\$ (742)	\$ (489)
Net Loss per Common Share:		
Basic	\$ (0.09)	\$ (0.06)
Diluted	\$ (0.09)	\$ (0.06)
Average Common Shares Outstanding:		
Basic	8,348,133	8,373,567
Diluted	8,348,133	8,373,567

Frequency Electronics, Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets

	July 31, 2003	April 30, 2003
	(in thousands)	
ASSETS		
Cash & Marketable Securities	\$ 29,263	\$ 33,781
Accounts Receivable	12,702	9,565
Inventories	19,506	17,734
Other Current Assets	6,581	6,856
Property, Plant & Equipment	11,473	11,105
Other Assets	7,549	6,688
	\$ 87,074	\$ 85,729
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	\$ 6,972	\$ 5,922
Long-term Obligations and Other	17,991	18,098
Stockholders' Equity	62,111	61,709
	\$ 87,074	\$ 85,729

SOURCE: Frequency Electronics

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