



Frequency Electronics, Inc. Announces First Quarter Fiscal Year 2003 Results

>MITCHEL FIELD, N.Y., Sep 17, 2002 (BUSINESS WIRE) -- Frequency Electronics, Inc. (AMEX-FEI) today announced that revenues for the first quarter of Fiscal Year 2003, which ended July 31, 2002, were \$6.8 million compared to \$11.1 million for the same period of fiscal 2002.

The Company recorded an operating loss of \$981,000 and a net loss of \$489,000 (\$0.06 per diluted share) compared to operating income of \$742,000 and net income of \$820,000 (\$0.10 per diluted share) in the first quarter of fiscal 2002. General Joseph P. Franklin, Chairman of the Board, said: "It is noteworthy that, although these results are down overall from a year ago, they reflect positive trends within both our Government and commercial communications business segments." First quarter revenues for US Government business were \$1.8 million, an increase of 85% over the first quarter of fiscal 2002 and up 12% from the previous quarter. Bookings continued strong, outpacing the increased revenues of the first quarter. The cycle time for revenue recognition on these Government programs will run 9-30 months compared to 3-6 months for most commercial programs. The Company's backlog in Government business rose from \$2 million a year ago to \$7.8 million at the end of this quarter.

First quarter revenues for the Company's commercial communications business would have risen 8% from the previous quarter absent a one-time accommodation whereby FEI included in its own inventory a limited quantity of rubidium timing units shipped to certain customers. These "seed stock" units are immediately available to the customers for refurbishments, upgrades, and new system installations. This accommodation reduced first quarter revenues by \$1.1 million. While the financial cost of the seed stock inventory is reflected in the first quarter results, revenue and profit will be recognized as the units are deployed by the customers during the balance of fiscal 2003.

Gillam-FEI's first quarter revenues were \$1.9 million, down from \$2.1 million a year ago, and down \$2.0 million from the previous quarter. Quarterly revenue variations for Gillam-FEI are typical, however, and are not indicative of any trend. The Company expects Gillam-FEI's full year results for fiscal 2003 to be comparable to or better than the good performance of fiscal 2002.

Commenting on these results, Chief Financial Officer Alan Miller, noted: "We are fortunate to have a very strong balance sheet and effective cost controls in place. We are continuing our investments in R&D, which are the lifeblood of this company. Based upon our product mix and our backlog, which increased from \$31 million to \$33 million during the past quarter, we expect margins to improve during the balance of this fiscal year. We will also continue to pursue potential merger, acquisition, and partnership opportunities which complement our core business."

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.

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.

| | July 31, | |
|---|--------------------------------------|-----------|
| | 2002 | 2001 |
| | ---- | ---- |
| | (unaudited) | |
| | (in thousands except per share data) | |
| Net Sales | \$ 6,828 | \$11,070 |
| Cost of Sales | 4,773 | 7,000 |
| | ----- | ----- |
| Gross Margin | 2,055 | 4,070 |
| Selling and Administrative | 2,053 | 2,215 |
| Research and Development | 983 | 1,113 |
| | ----- | ----- |
| Operating (Loss) Profit | (981) | 742 |
| Interest and Other, net | 290 | 440 |
| | ----- | ----- |
| (Loss) Income before Taxes and Minority Interest | (691) | 1,182 |
| Minority Interest in loss of subsidiary | (10) | (8) |
| | ----- | ----- |
| (Loss) Income before Income Taxes | (681) | 1,190 |
| Income Tax (Benefit) Provision | (192) | 370 |
| | ----- | ----- |
| Net (Loss) Income | \$ (489) | \$ 820 |
| | ===== | ===== |
| Net (Loss) Income per Common Share: | | |
| Basic | \$ (0.06) | \$ 0.10 |
| | ===== | ===== |
| Diluted | \$ (0.06) | \$ 0.10 |
| | ===== | ===== |
| Average Common Shares Outstanding: | | |
| Basic | 8,373,567 | 8,332,557 |
| | ===== | ===== |
| Diluted | 8,373,567 | 8,551,214 |
| | ===== | ===== |

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

| | July 31, | April 30, |
|--------------------------------------|----------------|-----------|
| | 2002 | 2002 |
| | ---- | ---- |
| | (in thousands) | |
| ASSETS | | |
| Cash & Marketable Securities | \$ 34,123 | \$ 36,231 |
| Other Current Assets | 38,778 | 37,649 |
| Property, Plant & Equipment | 11,460 | 11,361 |
| Other Assets | 11,368 | 10,770 |
| | ----- | ----- |
| | \$ 95,729 | \$ 96,011 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | \$ 6,224 | \$ 7,649 |
| Long-term Obligations and Other | 18,122 | 18,020 |
| Stockholders' Equity | 71,383 | 70,342 |
| | ----- | ----- |
| | \$ 95,729 | \$ 96,011 |
| | ===== | ===== |

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