



## Frequency Electronics, Inc. Announces First Quarter Fiscal Year 2007 Results

MITCHEL FIELD, N.Y.--(BUSINESS WIRE)--Sept. 14, 2006--Frequency Electronics, Inc. (NASDAQ-FEIM) reported revenues of \$14.3 million for the first quarter of fiscal year 2007, which ended 31 July 2006, compared to \$11.1 million for the same period of fiscal 2006, and \$15.1 million for the preceding quarter.

Operating income for the first quarter was \$691,000 up from \$111,000 in the same quarter of fiscal 2006, and \$330,000 in the preceding quarter. Net income for the first quarter was \$898,000, or \$0.10 per diluted share. For the same period last year, net income was \$1.14 million, or \$0.13 per diluted share, which included a \$1.0 million pre-tax gain on the sale of marketable securities.

Chairman of the Board General Joseph Franklin made the following statement: "Fiscal 2007 is off to a good start. Revenues and operating profits rose substantially compared to the first quarter of last year. Proposal activity remains high in each of our major business areas. We remain very optimistic about FEI's future and continue to see healthy growth in sales and profitability this fiscal year."

In the Company's major business areas during this quarter:

- Satellite payloads, especially commercial satellites, continued the excellent growth which began last year.
- US Government/DOD program sales declined from the previous quarter. Revenue rates are expected to accelerate when the Government's next fiscal year begins October 1st, 2006. For the first quarter of fiscal 2007, total US Government/DOD programs accounted for approximately 15% of Company revenues.
- Telecommunications infrastructure sales maintained the uptrend which began late in fiscal 2006.

For the Company's reporting segments during this quarter:

- Revenues for the FEI-NY segment were \$10.7 million, compared to \$6.9 million in the first quarter of fiscal 2006 and \$10.9 million in the preceding quarter. The FEI-NY segment is a combination of the former commercial communications and US Government segments, and includes revenues from all major business areas.
- The Gillam-FEI segment recorded revenues of \$2.0 million for this quarter, compared to \$2.2 million in the same period of fiscal 2006 and \$2.6 million in the preceding quarter. The Gillam-FEI segment includes revenues primarily from wireline telecommunications infrastructure and from other network management products.
- Revenues for the FEI-Zyfer segment were \$1.9 million for this quarter, compared to \$2.4 million in the first quarter of fiscal 2006 and \$2.2 million for the preceding quarter. Substantially all of FEI-Zyfer's products are used in telecommunications infrastructure. Approximately 60% of FEI-Zyfer's revenues were derived from US Government/DOD programs.

Chief Financial Officer Alan Miller added the following comment: "High engineering costs on large programs and in support of major proposal efforts, held margins to modest improvement during this past quarter. Our results for the first time also reflect a stock compensation expense of \$115,000 under FAS 123<sup>®</sup>. We are pleased by the increase in operating profit during this past quarter, and we expect profits to grow as revenues increase during the balance of the year."

### Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on Friday, September 15, 2006, at 11:30 AM Eastern Time. Investors and analysts may access the call by dialing 1-800-289-0496. International callers may dial 1-913-981-5519. Ask for the Frequency Electronics conference call.

The call will also be available at the Investor Relations section of the Company's website at [www.frequencyelectronics.com](http://www.frequencyelectronics.com) or at Thomson/CCBN's individual investor center at [www.earnings.com](http://www.earnings.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<sup>®</sup> (Fidelity.com) and others.

The call will be archived on the Company's website through October 14, 2006. The archived call may also be retrieved at 1-888-203-1112 (domestic) or 1-719-457-0820 (international) using Passcode ID 2516490.

## 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, management 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](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.

### Condensed Consolidated Statement of Operations

	Quarter Ended	
	July 31,	
	2006	2005
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	(unaudited)	
	(in thousands except per share data)	
Net Sales	\$ 14,314	\$ 11,057
Cost of Sales	9,461	6,960
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Gross Margin	4,853	4,097
Selling and Administrative	2,782	2,544
Research and Development	1,380	1,442
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Operating Profit	691	111
Interest and Other, net	547	1,510
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Income before Income Taxes	1,238	1,621
Income Tax Provision	340	479
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Net Income	\$ 898	\$ 1,142
	=====	=====
Net Income per Common Share:		
Basic	\$ 0.10	\$ 0.13
	=====	=====
Diluted	\$ 0.10	\$ 0.13
	=====	=====

Average Common Shares Outstanding:		
Basic	8,576,705	8,520,020
	=====	=====
Diluted	8,719,934	8,657,340
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Frequency Electronics, Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets

	July 31, 2006	April 30, 2006
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	(in thousands)	
ASSETS		
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Cash & Marketable Securities	\$ 24,367	\$ 24,475
Accounts Receivable	17,050	15,868
Inventories	24,885	22,971
Other Current Assets	3,431	3,449
Property, Plant & Equipment	6,682	6,663
Other Assets	13,587	13,315
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	\$ 90,002	\$ 86,741
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LIABILITIES AND STOCKHOLDERS' EQUITY		
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Current Liabilities	\$ 8,567	\$ 6,988
Long-term Obligations and Other	9,160	9,120
Stockholders' Equity	72,275	70,633
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	\$ 90,002	\$ 86,741
	=====	=====

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