



## Frequency Electronics Announces Results For 3rd Quarter FY 1999

### > FINANCIAL REPORT

Frequency Electronics, Inc. (AMEX- FEI) today announced the results for its fiscal 3rd quarter ended January 31, 1999. Revenues for the quarter were \$3.06 million as compared to \$8.03 million in the same quarter of fiscal 1998. With lower revenues and accelerated research and development spending, the Company recorded a loss from operations of \$2.06 million and a net loss of \$1.36 million (\$0.18 per share) for the quarter. This is compared to an operating loss of \$1.63 million and net income of \$2.38 million (\$0.31 per share) for the third quarter of fiscal 1998. Revenues for the nine-month periods ended January 31, 1999 and 1998 were \$16.26 and \$23.35 million respectively. Operating profit for the nine-month periods was \$2.57 million in fiscal 1999 and \$346,000, in fiscal 1998 while net income was \$2.37 million (\$0.30 per share) and \$5.41 million (\$0.70 per share), respectively. The current and year ago periods reflect the effects of three singular events: the insurance reimbursement, the writedown of certain work-in-process inventory, and the net gain on the sale of the Company's real estate holdings. The accompanying Table 1 illustrates the effect of these transactions on the Company's operating results during these reporting periods.

**TERRESTRIAL WIRELESS PRODUCTS** The Company's sales and orders for wireless communication products remain strong and its relationship with its customers has been further solidified during the recent quarter. However, due to the timing of the release of new purchase orders for the Company's primary terrestrial wireless communication products, revenues from this source were less than expected. Consequently, the Company has experienced an increase in inventory of these products which is expected to be shipped within the next twelve months. In addition, delays in development of the VSAT product impeded progress in meeting expected delivery dates. The program is presently on track and the Company has received an additional VSAT order for \$1.8 million.

**SPACE DEVELOPMENTS** The Company continues to invest heavily in research and development on its line of generic satellite transponder components as well as on its wireless communications products. During the quarter ended January 31, 1999, the Company expended \$1.7 million on such activities as compared to \$288,000 for the quarter ended January 31, 1998. For the nine months ended January 31, 1999, research and development spending exceeded \$3.6 million compared to less than \$900,000 for the comparable period of fiscal 1998. The Company has begun initial marketing of a number of its generic space products, including DC/DC converters and local oscillators. Marketing of the full line of these products will begin this summer when development is expected to be substantially completed. Also during this quarter the Company engaged a major executive search firm to seek a senior person to lead FEI's generic space component business.

**THE FUTURE** Currently, the satellite construction industry is experiencing a slowdown due to economic problems in Asia as well as recent launch and in-orbit failures. This situation has adversely impacted fiscal year 1999 space revenues for Frequency Electronics while at the same time providing a window of opportunity to prepare the product line for the expected growth in the commercial space market. During the last quarter the Company's overall bookings strengthened to \$7.5 million, with over \$5 million realized in the month of February. Satellite manufacturers and wireless infrastructure providers continue to express optimism about the future of these markets. The Company fully expects to share in the growth of these markets over the next several years. For an overview of Frequency Electronics, visit our website at [www.frequencyelectronics.com](http://www.frequencyelectronics.com).

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: The statements contained in this release which are forward-looking statements, and not based on historical facts are subject to risks and uncertainties that could cause actual results to differ materially from those set forth or implied herein.

### Frequency Electronics, Inc. and Subsidiaries TABLE I

During the three- and nine-month periods ended January 31, 1999 and 1998, the Company recorded several significant non-recurring events which had a material impact on operating profits, pre-tax earnings and net earnings. The table below compares the Company's operating results when these events are excluded:

	Quarter Ended		Nine Months Ended	
	January 31,		January 31,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	(unaudited)		(unaudited)	
Operating (Loss) Profit – as reported	(\$2,063)	(\$1,630)	\$2,565	\$346
Less:				
Insurance Reimbursement	0	0	(4,500)	0
Add back:				
Inventory writedown	<u>0</u>	<u>2,296</u>	<u>0</u>	<u>2,296</u>
Adjusted Operating (Loss) Profit	(2,063)	666	(1,935)	2,642
Interest and Other, Net – as reported	406	6,110	1,305	7,345
Less:				
Gain on Building Sale, net of expenses	<u>0</u>	<u>(4,811)</u>	<u>0</u>	<u>(4,811)</u>
Adjusted Interest and Other, Net	<u>406</u>	<u>1,299</u>	<u>1,305</u>	<u>2,534</u>
Adjusted Pretax (Loss) Earnings	<u>(\$1,657)</u>	<u>\$1,965</u>	<u>(\$630)</u>	<u>\$5,176</u>

**Frequency Electronics, Inc. and Subsidiaries**  
**Consolidated Condensed Summary of Operations**

	Quarter Ended		Nine Months Ended	
	January 31,		January 31,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	(unaudited)		(unaudited)	
	(in thousands except per share data)			
Net Sales	\$3,060	\$8,033	\$16,255	\$23,350
Cost of Sales	2,172	7,662	10,953	17,564
Insurance Reimbursement	-	-	(4,500)	-
Selling and Administrative	1,277	1,713	3,597	4,544
Research and Development	<u>1,674</u>	<u>288</u>	<u>3,640</u>	<u>896</u>
Operating (Loss) Profit	(2,063)	(1,630)	2,565	346
Interest and Other, Net	<u>406</u>	<u>6,110</u>	<u>1,305</u>	<u>7,345</u>
(Loss) Earnings before income taxes	(1,657)	4,480	3,870	7,691
Income Tax (Benefit) Provision	<u>(300)</u>	<u>2,100</u>	<u>1,500</u>	<u>2,280</u>
Net (Loss) Earnings	<u>(\$1,357)</u>	<u>\$2,380</u>	<u>\$2,370</u>	<u>\$5,411</u>
Net (Loss) Earnings per Share:				
	Basic	<u>(\$0.18)</u>	<u>\$0.32</u>	<u>\$0.32</u>
			<u>\$0.32</u>	<u>\$0.74</u>

	Diluted	<u>(\$0.18)</u>	<u>\$0.31</u>	<u>\$0.30</u>	<u>\$0.70</u>
Average Shares Outstanding					
	Basic	<u>7,502,916</u>	<u>7,422,883</u>	<u>7,488,435</u>	<u>7,325,974</u>
	Diluted	<u>7,502,916</u>	<u>7,786,363</u>	<u>7,831,931</u>	<u>7,691,498</u>

**Frequency Electronics, Inc. and Subsidiaries**  
**Consolidated Condensed Balance Sheets**

	January 31, <u>1999</u>	April 30, <u>1998</u>
	(in thousands)	
<b>ASSETS</b>		
Cash & Marketable Securities	\$39,833	\$45,386
Other Current Assets	29,036	31,101
Property, Plant & Equipment	9,344	9,159
Other Assets	<u>3,263</u>	<u>3,134</u>
	<u>\$81,476</u>	<u>\$88,780</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities	\$4,442	\$13,532
Long-term Debt and Other Liabilities	18,668	18,841
Stockholders' Equity	<u>58,366</u>	<u>56,407</u>
	<u>\$81,476</u>	<u>\$88,780</u>