



## Frequency Electronics, Inc. Announces Fiscal Year 2003 Results

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MITCHEL FIELD, N.Y.--(BUSINESS WIRE)--July 14, 2003--Frequency Electronics, Inc. (AMEX-FEI) today announced that for fiscal year 2003, ended April 30, 2003, revenues were \$31.5 million compared to \$41.2 million in fiscal 2002. The net loss for fiscal 2003 was \$8.9 million, or \$1.06 per diluted share, which includes \$6.2 million in non-cash adjustments to goodwill and \$3.6 million in charges to inventory. This compares to net income of \$1.4 million, or \$0.16 per diluted share, in fiscal 2002.

For the fourth quarter the Company recorded revenues of \$7.0 million compared to \$9.1 million in the same period of the prior fiscal year. The net loss for the quarter was \$8.9 million, or \$1.06 per diluted share, compared to a net loss of \$580,000, or \$0.07 per diluted share, in the same period of fiscal 2002. The Company previously announced it would record certain year-end adjustments, including the goodwill writedown. The charges to inventory were taken primarily for export-related contract termination, reduction to estimated realizable value based on reduced sales volume, and re-evaluation resulting from process and product improvements.

General Joseph Franklin, Chairman of the Board, said: "While these results reflect a severe drop in telecommunications infrastructure spending following several months of modest increases, positive events during the fourth quarter have strengthened our platform for significant corporate growth. We were awarded two new, very important development contracts for US Government programs, both of which have potential far beyond any in FEI's history. After the close of the fiscal year we announced the acquisition of FEI-Zyfer. Their GPS technology will substantially increase the scope and dollar volume that we can realize on these new contracts as well as other US Government and commercial programs. Also during the fourth quarter we reached an important milestone in the development of cost-effective process improvements, we introduced a next generation of rubidium standards, and we received a broad patent for our new proprietary quartz oscillator technology."

Revenues for Gillam-FEI were \$8.1 million, down from \$11.2 million in the prior fiscal year. This stemmed from the European downturn in telecommunications infrastructure investment and the decision to scale back the legacy power supply business of NS Satel, Gillam-FEI's French subsidiary. After incurring research and development expenses of \$881,000, Gillam-FEI recorded a net operating loss of \$814,000 before the \$6.2 million goodwill writedown.

Revenues from commercial communications declined from \$26.7 million in fiscal 2002 to \$15.1 million in fiscal 2003, including a substantial drop in the commercial space component of this business segment.

US Government sales for fiscal 2003 increased to \$8.9 million from \$4.5 million in fiscal 2002.

Research and development spending was \$4.6 million for fiscal 2003, compared to \$6.6 million in the prior fiscal year.

The Company was cash flow positive on an operating basis for the fiscal year. After payment of \$1.7 million in cash dividends, \$500 thousand for repurchase of Company shares, and \$1.8 million mark to market in marketable securities, the Company ended the year with \$33.8 million in cash, cash equivalents, and marketable securities, compared to \$36.2 million at the end of the previous year.

President and CEO Martin Bloch made the following report:

"Here is a short summary of our business outlook:

- We have begun work on several US Government programs which are major new initiatives in command and control communications, surveillance, navigation, and weapons systems. I expect these programs will contribute significantly to future revenues.
- FEI-Zyfer brings us new, large-volume opportunities in E911 and SAASM (secure GPS) applications.
- Replacement of the commercial satellite fleet is needed and imminent.
- The infrastructure that supports our commercial communications systems, wireless and wireline, barely supports current service requirements, let alone demands for expanded data transmission.

- We are adding enhanced features to Gillam-FEI's wireline synchronization unit for the US market, and we are qualifying existing products for large requirements in Russia and China.
- Our resources are significantly enhanced by FEI-Zyfer's global positioning system (GPS) technology and software capabilities.
- We have developed a next generation of rubidium standards and a new family of high-performance crystal oscillators.
- We have developed significantly improved production processes which we will also exploit in our facilities in Russia and China.

"All in all, our opportunities have never been larger, and our resources to address them have never been greater. And I am pleased to note that the Company's strong cash position is more than sufficient to support our projected capital expenditures, cash dividend policy, and acquisition strategy for the foreseeable future."

#### 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 Consolidated Condensed Summary of Operations

	Quarter Ended		Year Ended	
	April 30,		April 30,	
	2003	2002	2003	2002
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	(unaudited)			
	(in thousands except per share data)			
Net Sales	\$ 7,009	\$9,079	\$31,527	\$41,179
Cost of Sales	8,912	7,127	25,681	27,090
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Gross Margin (Loss)	(1,903)	1,952	5,846	14,089
Insurance Reimbursement	-	(1,500)	-	(1,500)
Goodwill Writedown	6,158	-	6,158	-
Selling and Administrative	1,532	2,528	7,573	8,932
Research and Development	1,664	2,333	4,605	6,568
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Operating (Loss) Profit	(11,257)	(1,409)	(12,490)	89
Interest and Other, Net	618	226	1,824	1,608
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(Loss) Income before Taxes & Minority Interest	(10,639)	(1,183)	(10,666)	1,697
Minority Interest	5	(3)	(33)	(1)
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(Loss) Income before				
Income Taxes	(10,644)	(1,180)	(10,633)	1,698
Income Tax (Benefit)				
Provision	(1,783)	(600)	(1,773)	320
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Net (Loss) Income	\$ (8,861)	\$ (580)	\$ (8,860)	\$ 1,378
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Net (Loss) Income per				
Share:				
Basic	\$ (1.06)	(\$ 0.07)	\$ (1.06)	\$ 0.17
	=====	=====	=====	=====
Diluted	\$ (1.06)	(\$ 0.07)	\$ (1.06)	\$ 0.16
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Average Shares				
Outstanding				
Basic	8,336,038	8,366,621	8,331,785	8,350,735
	=====	=====	=====	=====
Diluted	8,336,038	8,366,621	8,331,785	8,529,175
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Frequency Electronics, Inc. and Subsidiaries  
Consolidated Condensed Balance Sheets

	April 30, 2003	April 30, 2002
(in thousands)		
ASSETS		
Cash & Marketable Securities	\$ 33,781	\$ 36,231
Accounts Receivable	9,565	11,725
Inventories	17,734	19,601
Other Current Assets	6,856	6,323
Property, Plant & Equipment	11,105	11,361
Other Assets	6,688	10,770
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	\$ 85,729	\$ 96,011
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	\$ 5,922	\$ 7,649
Long-term Obligations and Other	18,098	18,020
Stockholders' Equity	61,709	70,342
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	\$ 85,729	\$ 96,011
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SOURCE: Frequency Electronics, Inc.