

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period ended January 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 1-8061

FREQUENCY ELECTRONICS, INC.
(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

11-1986657

(I.R.S. Employer Identification No.)

55 CHARLES LINDBERGH BLVD., MITCHEL FIELD, N.Y.
(Address of principal executive offices)

11553
(Zip Code)

Registrant's telephone number, including area code: 516-794-4500

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of Registrant's Common Stock, par value \$1.00 as of March 8, 2002 - 8,327,133

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Frequency Electronics, Inc. and Subsidiaries

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Frequency Electronics, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

	January 31, 2002 (UNAUDITED) (In thousands)	April 30, 2001 (NOTE A)
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 4,363	\$ 2,121
Marketable securities	29,835	33,407
Accounts receivable, net of allowance for doubtful accounts of \$270 at January 31, 2002 and \$190 at April 30, 2001	12,325	15,160
Inventories	21,278	20,471
Deferred income taxes	4,575	4,313
Prepaid expenses and other	1,551	4,662
	-----	-----
Total current assets	73,927	80,134
Property, plant and equipment, at cost, less accumulated depreciation and amortization	12,167	11,997
Intangible assets	5,028	4,987
Other assets	5,285	4,921
	-----	-----
Total assets	\$96,407 =====	\$102,039 =====

See accompanying notes to condensed consolidated financial statements.

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Continued)

	January 31, 2002 (UNAUDITED) (In thousands)	April 30, 2001 (NOTE A)
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable - trade	\$ 2,103	\$ 2,408
Accrued liabilities and other	4,790	11,126
	-----	-----
Total current liabilities	6,893	13,534
Deferred compensation	6,008	5,726
Other liabilities	11,821	12,348
	-----	-----
Total liabilities	24,722	31,608
	-----	-----
Minority interest in subsidiary	227	226
Stockholders' equity:		
Preferred stock - \$1.00 par value	-0-	-0-
Common stock - \$1.00 par value	9,164	9,164
Additional paid-in capital	42,981	42,860
Retained earnings	22,353	21,226
	-----	-----
Total stockholders' equity	74,498	73,250
Common stock reacquired and held in treasury		
-at cost, 836,806 shares at		
January 31, 2002 and 872,669		
shares at April 30, 2001	(2,829)	(3,127)
Other stockholders' equity	(117)	(122)
Accumulated other comprehensive (loss) income	(94)	204
	-----	-----
Total stockholders' equity	71,458	70,205
	-----	-----
Total liabilities and stockholders' equity	\$ 96,407	\$102,039
	=====	=====

See accompanying notes to condensed consolidated financial statements.

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations

Three Months Ended January 31,
(Unaudited)

	2002	2001
	(In thousands except per share data)	
Net sales	\$ 9,565	\$15,193
Cost of sales	5,939	9,361
	-----	-----
Gross margin	3,626	5,832
Selling and administrative expenses	2,163	2,967
Research and development expense	1,365	1,134
	-----	-----
Operating profit	98	1,731
Other income (expense):		
Investment income	482	929
Interest expense	(67)	(92)
Other income (expense), net	(27)	(9)
	-----	-----
Income before minority interest and provision for income taxes	486	2,559
Minority interest in income of consolidated subsidiary	10	3
	-----	-----
Income before provision for income taxes	476	2,556
Provision for income taxes	150	923
	-----	-----
Net income	\$ 326	\$ 1,633
	=====	=====
Net earnings per common share		
Basic	\$ 0.04	\$ 0.20
	=====	=====
Diluted	\$ 0.04	\$ 0.19
	=====	=====
Average shares outstanding		
Basic	8,357,402	8,285,506
	=====	=====
Diluted	8,539,114	8,554,436
	=====	=====

See accompanying notes to condensed consolidated financial statements.

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine Months Ended January 31,
(Unaudited)

	2002	2001
	(In thousands)	
Cash flows from operating activities:		
Net income	\$1,958	\$3,910
Non-cash charges to earnings	1,081	1,679
Net changes in other assets and liabilities	(199)	(610)
	-----	-----
Net cash provided by operating activities	2,840	4,979
Cash flows from investing activities:		
Payment for acquisition, net of cash acquired	-	(8,208)
Proceeds from sale of marketable securities	10,641	7,150
Purchase of marketable securities	(7,540)	(2,317)
Other - net	(1,447)	(1,027)
	-----	-----
Net cash provided by (used in) investing activities	1,654	(4,402)
Cash flows from financing activities:		
Payment of cash dividend	(1,660)	(1,627)
Payment of debt	(509)	(573)
Proceeds from stock option exercises	96	716
Other - net	(185)	(175)
	-----	-----
Net cash used in financing activities	(2,258)	(1,659)
	-----	-----
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	2,236	(1,082)
Effect of exchange rate changes on cash and cash equivalents	6	39
	-----	-----
Net increase (decrease) in cash	2,242	(1,043)
Cash at beginning of period	2,121	4,994
	-----	-----
Cash at end of period	\$4,363	\$3,951
	=====	=====

See accompanying notes to condensed consolidated financial statements.

Frequency Electronics, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE A - CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management of the Company, the accompanying unaudited condensed consolidated interim financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly, in all material respects, the consolidated financial position of the Company as of January 31, 2002 and the results of its operations and cash flows for the nine and three months ended January 31, 2002 and 2001. The April 30, 2001 condensed consolidated balance sheet was derived from audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 2001 Annual Report to Stockholders. The results of operations for such interim periods are not necessarily indicative of the operating results for the full year.

NOTE B - EARNINGS PER SHARE

Reconciliation of the weighted average shares outstanding for basic and diluted Earnings Per Share are as follows:

	Periods ended January 31,			
	Nine months		Three months	
	2002	2001	2002	2001
Basic EPS Shares outstanding (weighted average)	8,345,439	8,167,970	8,357,402	8,285,506
Effect of Dilutive Securities	186,293	296,376	181,712	268,930
	-----	-----	-----	-----
Diluted EPS Shares outstanding	<u>8,531,732</u>	<u>8,464,346</u>	<u>8,539,114</u>	<u>8,554,436</u>

Options to purchase 243,250 and 265,000 shares of common stock were outstanding during the nine and three months ended January 31, 2002 and 2001, but were not included in the computation of diluted earnings per share. Since the exercise price of these options was greater than the average market price of the Company's common shares during the respective periods, their inclusion in the computation would have been antidilutive. Consequently, these options are excluded from the computation of earnings per share.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable at January 31, 2002 and April 30, 2001 include costs and estimated earnings in excess of billings on uncompleted contracts accounted for on the percentage of completion basis of approximately \$4,262,000 and \$3,814,000, respectively. Such amounts represent revenue recognized on long-term contracts that had not been billed at the balance sheet dates. Such amounts are billed pursuant to contract terms.

NOTE D - INVENTORIES

Inventories, which are reported net of reserves of \$3,896,000 and \$4,001,000 at January 31, 2002 and April 30, 2001, respectively, consist of the following:

	January 31, 2002	April 30, 2001
	(In thousands)	
Raw materials and Component parts	\$ 9,937	\$ 9,227
Work in progress and Finished goods	11,341	11,244
	-----	-----
	<u>\$21,278</u>	<u>\$20,471</u>
	=====	=====

Frequency Electronics, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE E - COMPREHENSIVE INCOME

For the nine months ended January 31, 2002 and 2001, total comprehensive income was \$1,660,000 and \$5,524,000, respectively.

NOTE F - SEGMENT INFORMATION

The Company operates under three reportable segments:

1. Commercial Communications - consists principally of time and frequency control products used in two principal markets-commercial communication satellites and terrestrial cellular telephone or other ground-based telecommunication stations.
2. U.S. Government - consists of time and frequency control products used for national defense or space-related programs.
3. Gillam-FEI - the products of the Company's Belgian subsidiary consist primarily of wireline synchronization and network monitoring systems.

The table below presents information about reported segments with reconciliation of segment amounts to consolidated amounts as reported in the statement of operations or the balance sheet for each of the periods (in thousands):

	Nine months ended January 31,	
	2002	2001
	----	----
Net sales:		
Commercial Communications	\$22,652	\$27,865
U.S. Government	2,894	2,610
Gillam-FEI	7,322	4,508
less intercompany sales	(768)	(78)
	-----	-----
Consolidated Sales	\$32,100	\$34,905
	=====	=====
Operating profit (loss):		
Commercial Communications	\$1,906	\$4,206
U.S. Government	709	513
Gillam-FEI	(359)	186
less intercompany transactions	(213)	-
Corporate	(545)	(1,115)
	-----	-----
Consolidated Operating Profit	\$1,498	\$3,790
	=====	=====
	January 31, 2002	April 30, 2001
Identifiable assets:		
Commercial Communications	\$ 23,765	\$ 25,025
U.S. Government	2,418	1,580
Gillam-FEI	18,437	19,237
less intercompany balances	(1,061)	(234)
Corporate	52,848	56,431
	-----	-----
Consolidated Identifiable Assets	\$ 96,407	\$102,039
	=====	=====

Frequency Electronics, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE G - ACQUISITION OF GILLAM S.A.

On September 13, 2000, the Company completed its acquisition of substantially all of the outstanding shares of Gillam S.A. ("Gillam"), a privately-held company organized under the laws of Belgium. Gillam's business is based in the telecommunications market and targeted to four main areas:

(i) "Wireline Network Synchronization" - managing timing and interconnectivity for communication networks; (ii) "Remote Control" - consisting of network monitoring systems; (iii) "Rural Telephony" - equipment designed to connect isolated subscribers to a telephone network via satellite and (iv) "Power Supplies" - produced through a subsidiary, for telecom service providers. The acquired company has been renamed Gillam-FEI.

The Gillam acquisition was consummated pursuant to the terms of a Share Purchase Agreement dated as of August 29, 2000. Under terms of the agreement, the Company paid \$8,400,264 in cash and issued 154,681 shares of common stock ("FEI stock") to acquire the outstanding stock of Gillam. Based upon the market value of FEI's stock on July 25, 2002, the Share Purchase Agreement may require the Company to issue to the Gillam shareholders up to 35,000 additional shares of FEI stock. In addition, the Company paid approximately \$496,000 in direct transaction costs. Thus, the total purchase price is approximately as follows:

	(in thousands)	
Cash paid for Gillam shares		\$ 8,400
Fair value of restricted shares issued		3,465
Direct transaction costs		496

Total purchase price		\$12,361
		=====

The Gillam acquisition is treated as a purchase. The purchase price is allocated to net assets acquired of approximately \$7,282,000 and to intangible assets, principally goodwill, of approximately \$5,079,000. On May 1, 2001, the Company adopted Statement 142 of the Financial Accounting Standards Board ("SFAS 142"), "Goodwill and Other Intangible Assets", under which goodwill is no longer amortized but is to be tested at least annually for impairment. The adoption of SFAS 142 reduces general and administrative expenses by approximately \$85,000 per quarter.

The accompanying condensed consolidated statements of operations for the nine- and three-month periods ended January 31, 2002, include the results of operations of Gillam-FEI. The nine- and three-month periods ended January 31, 2001, include the results of operations of Gillam-FEI only from the date of acquisition. The pro forma financial information set forth below is based upon the Company's historical consolidated statements of operations for the nine months ended January 31, 2001, adjusted to give effect to the acquisition of Gillam-FEI as of the beginning of the period.

The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the acquisition occurred on May 1, 2000, nor does it purport to represent the results of operations for future periods.

Pro forma
Nine months ended
January 31, 2001
(In thousands except per share data)

Net Sales	\$39,374

Operating Profit	\$3,505

Income from continuing operations	\$3,510
	=====
Earnings per share- basic	\$ 0.43
	=====
Earnings per share- diluted	\$ 0.41
	=====

Frequency Electronics, Inc. and Subsidiaries

Item 2

Management's Discussion and Analysis of Financial Condition and
Results of Operations

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements included in the Company's April 30, 2001 Annual Report to Stockholders. The Company believes its most critical accounting policies to be the recognition of revenue and costs on production contracts and the valuation of inventory.

Revenues under larger, long-term contracts, generally defined as orders in excess of \$100,000, are reported in operating results using the percentage of completion method. For U.S. Government and other fixed-price contracts that require initial design and development of the product, revenue is recognized on the cost-to-cost method. Under this method, revenue is recorded based upon the ratio that incurred costs bear to total estimated contract costs with related cost of sales recorded as the costs are incurred. Each month management reviews estimated contract costs. The effect of any change in the estimated gross margin percentage for a contract is reflected in revenues in the period in which the change is known. Provisions for anticipated losses on contracts are made in the period in which they become determinable.

On production-type contracts, revenue is recorded as units are delivered with the related cost of sales recognized on each shipment based upon a percentage of estimated final contract costs. Changes in job performance may result in revisions to costs and income and are recognized in the period in which revisions are determined to be required. Provisions for anticipated losses on contracts are made in the period in which they become determinable.

For contracts in the Company's Gillam-FEI segment, and smaller contracts or orders in the other business segments, sales of products and services to customers are reported in operating results based upon shipment of the product or performance of the services pursuant to contractual terms. When payment is contingent upon customer acceptance of the installed system, revenue is deferred until such acceptance is received.

Contract costs include all direct material, direct labor costs, manufacturing overhead and other direct costs related to contract performance. Selling, general and administrative costs are charged to expense as incurred.

In accordance with industry practice, inventoried costs contain amounts relating to contracts and programs with long production cycles, a portion of which will not be realized within one year. Inventory reserves are established for slow-moving and obsolete items and are based upon management's experience and expectations for future business. Any changes in reserves arising from revised expectations are reflected in cost of sales in the period the revision is made.

Frequency Electronics, Inc. and Subsidiaries
(Continued)

RESULTS OF OPERATIONS

The table below sets forth the percentage of consolidated net sales represented by certain items in the Company's consolidated statements of operations for the respective nine- and three-month periods of fiscal years 2002 and 2001:

	Nine months		Three months	
	Periods ended January 31,			
	2002	2001	2002	2001
Net sales				
Commercial Communications	68.9%	79.6%	62.4%	67.5%
US Government	9.0	7.5	12.0	6.7
Gillam-FEI	22.1	12.9	25.6	25.8
	-----	-----	-----	-----
Cost of sales	100.0	100.0	100.0	100.0
	62.2	58.6	62.1	61.6
	-----	-----	-----	-----
Gross margin	37.8	41.4	37.9	38.4
Selling and administrative expenses	19.9	20.5	22.6	19.5
Research and development expenses	13.2	10.0	14.3	7.5
	-----	-----	-----	-----
Operating profit	4.7	10.9	1.0	11.4
Other income (expense)- net	4.3	6.1	4.1	5.4
	-----	-----	-----	-----
Pretax income	9.0	17.0	5.1	16.8
Provision for income taxes	2.9	5.8	1.7	6.1
	-----	-----	-----	-----
Net income	6.1%	11.2%	3.4%	10.7%
	=====	=====	=====	=====

For the nine- and three-month periods ended January 31, 2002, revenues declined by \$2.8 million (8%) and by \$5.6 million (37%), respectively, over the same periods of fiscal year 2001. These results reflect the general slowdown in the telecommunications industry. Gross margins were similarly impacted by the weaker economic environment. In spite of this weakness the Company continued to invest in research and development during the fiscal 2002 periods in order to prepare for the expected economic upturn when it occurs. The immediate consequence of these economic and strategic spending factors is lower profitability. For the nine- and three-month periods ended January 31, 2002, operating profit decreased by \$2.3 million (60%) and \$1.6 million (94%), respectively, and net income decreased by \$2.0 million (50%) and \$1.3 million (80%), respectively, compared to the same periods of fiscal 2001.

For the nine- and three-month periods ended January 31, 2002, margins on Commercial Communications revenues were 41% and 40%, respectively, as compared to 41% and 39%, respectively, for U.S. Government programs and 28% and 33%, respectively, for Gillam-FEI. During the comparable periods ended January 31, 2001, gross margins on Commercial Communications sales were 44% while margins on U.S. Government programs were 38% and 37%, respectively, and Gillam-FEI realized margins of 25% and 23%, respectively. The Commercial Communications and U.S. Government margins are within the Company's expectations given the current mix of production and long-term contracts as well as the lower sales volume which causes a higher level of overhead absorption. Margins on Gillam-FEI sales are historically lower than the rest of the Company due to the higher cost structure in Europe. One of the goals of the Company is to introduce products and procedures which will increase Gillam-FEI's margins to a level comparable to that of the other segments. With the present mix of orders and recent contract bookings, the Company expects to maintain its profit margins at or near the current level for the remainder of fiscal 2002.

Selling and administrative costs decreased by \$741,000 (10%) and by \$804,000 (27%) for the nine- and three-month periods ended January 31, 2002, compared to the same periods of fiscal 2001. Excluding Gillam-FEI, selling and administrative expenses decreased by \$1.55 million (22%) and \$702,000 (31%), respectively, over the nine- and three-month periods ended January 31, 2002. The principal causes of these decreases were the reduction in amortization of certain non-employee stock options as the options became exercisable in the prior year, reduced travel-related costs, lower accruals for employee incentive

Frequency Electronics, Inc. and Subsidiaries
(Continued)

plans due to lower profits, and reduced legal fees and costs due to a litigation settlement in fiscal 2001 for which the Company paid \$245,000. The Company anticipates that fiscal 2002 selling and administrative expenses will continue to be less than those incurred in fiscal 2001 and should approximate 20% of revenues.

Research and development costs in the fiscal 2002 periods increased by \$735,000 (21%) and \$231,000 (20%), respectively, over the comparable nine- and three-month periods ended January 31, 2001. The Company has used the slowdown in the telecommunications market as an opportunity to allocate additional resources to develop new products that achieve higher performance and are more cost-effective. Approximately 20% of development spending in the fiscal 2002 periods was incurred by Gillam-FEI. The Company intends to introduce Gillam-FEI's wireline synchronization product to the growing U.S market during calendar year 2002. In addition, during fiscal 2002 the Company completed development and began marketing a high precision quartz oscillator which has performance characteristics approaching that of a rubidium oscillator but at a fraction of the cost. Development continues on products to support third generation (3G) wireless infrastructure systems, products which increase the capability of existing TDMA and GSM systems (2.5G or EDGE), and products for interconnectivity with wireline and fiber optic networks. The Company expects the level of research and development spending to decline from current levels as several of these projects near completion. However, to remain at the leading edge of its technologies, the Company will continue to invest in new products and markets as opportunities present themselves. Internally generated cash and cash reserves are adequate to fund this development effort.

Net nonoperating income and expense decreased by \$760,000 (35%) and by \$440,000 (53%), respectively, in the nine- and three-month periods ended January 31, 2002 as compared to the fiscal 2001 periods. Investment income declined by \$764,000 (32%) and \$447,000 (48%), respectively, from the same periods of fiscal 2001. The sale or redemption of marketable securities during the fiscal 2002 periods resulted in capital gains which were lower by \$260,000 and \$300,000, respectively, than those realized during the fiscal 2001 nine- and three-month periods. In addition, lower interest rates on marketable securities and a decrease in invested assets reduced investment income by \$500,000 and \$140,000, respectively, during the fiscal 2002 periods. The decrease in the level of marketable securities in fiscal 2002 is due to the investment in Gillam-FEI which was made in September 2000. Interest expense during the nine- and three-month periods ended January 31, 2002, is lower by \$21,000 (9%) and \$25,000 (27%), respectively, over the same periods of fiscal 2001. These reductions are principally the result of the paydown of debt by Gillam-FEI during fiscal 2002. Other income (expense), net, consists principally of certain non-recurring transactions and is generally not significant to net income.

The Company is subject to income taxes in both the United States and Europe. The federal statutory rates vary from 34% to 40%. The Company's effective tax rate is lower than the statutory rates primarily due to the availability of Research and Development Tax Credits in the United States.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet continues to reflect a strong working capital position of \$67.0 million at January 31, 2002 which is comparable to the \$66.6 million working capital at April 30, 2001. Included in working capital at January 31, 2002 is \$34.2 million of cash, cash equivalents and marketable securities, including \$11.8 million of REIT units which are convertible to Reckson Associates Realty Corp. common stock.

Net cash provided by operating activities for the nine months ended January 31, 2002, was \$2.84 million. In fiscal 2002, the Company received \$3.0 million for reimbursement of certain legal expenses covered under directors' and officers' liability insurance. This inflow was partially offset by payments against certain accrued expenses, including income taxes payable of \$2.6 million and the payment of cash bonuses under incentive compensation plans. Cash was also generated by collections on accounts receivable, offset by repayment of amounts due to customers. The Company anticipates that it will continue to generate positive cash flow from operating activities this fiscal year.

Frequency Electronics, Inc. and Subsidiaries
(Continued)

Net cash provided by investing activities for the nine months ended January 31, 2002, was \$1.65 million. Approximately \$10.6 million was obtained from the sale or redemption of certain marketable securities, most of which (\$7.5 million) was reinvested in higher yielding marketable securities. The net inflows were offset by the acquisition of capital equipment for approximately \$1.1 million and an approximately \$300,000 investment in a minority interest in a Russian crystal manufacturer. The Company may continue to acquire or sell marketable securities as dictated by its investment strategies as well as by the cash requirements for its development activities. The Company will continue to acquire more efficient equipment to automate its production process and expand its capacity. The Company intends to spend approximately \$2 million on capital equipment during fiscal 2002. Internally generated cash will be adequate to acquire this capital equipment.

Net cash used in financing activities for the nine months ended January 31, 2002, was \$2.3 million. This amount includes payment of the Company's semiannual dividend in the aggregate amount of \$1.7 million. In addition, the Company made scheduled debt payments of \$509,000. Offsetting the cash outflows is approximately \$96,000 received on the exercise of stock options to acquire approximately 14,000 shares of Company stock.

At January 31, 2002, the Company's backlog amounted to approximately \$34 million, as compared to the backlog at April 30, 2001 of \$39 million. Approximately 65% of the backlog represent orders for the Commercial Communications segment, 20% for the Gillam-FEI segment and 15% for the U.S. Government segment. Of this backlog, approximately 80% is realizable in the next 12 months.

"Safe Harbor" Statement under the Private Securities
Litigation Reform Act of 1995:

The statements in this quarterly report on Form 10Q regarding future earnings and operations and other statements relating to 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, 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, changes in contractual terms, 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 report.

PART II

ITEM 1 - Legal Proceedings

On March 14, 2000, FEI commenced an action in the state court against National Union Fire Insurance of Pittsburgh, PA ("National"). The complaint set forth causes of action for declaratory judgment and breach of contract relating to certain directors and officers' liability insurance policies in connection with the Muller qui tam action and certain other litigations. Pursuant to a Settlement Agreement dated April 18, 2001, the action against National was settled, FEI was paid \$3.0 million representing the full amount of the available coverage under the applicable National policy, FEI released its claims and the action was discontinued.

ITEM 6 - Exhibits and Reports on Form 8-K

- (a) Exhibits - None
- (b) Registrant's Form 8-K, dated March 6, 2002, containing disclosure under Item 5 thereof (declaration of semi-annual dividend), was filed with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FREQUENCY ELECTRONICS, INC.
(Registrant)

Date: March 15, 2002

BY /s/ Joseph P. Franklin

Joseph P. Franklin
Chairman of the Board of Directors

Date: March 15, 2002

BY /s/Alan Miller

Alan Miller
Chief Financial Officer
and Controller