



Frequency Electronics, Inc. Announces Second Quarter Fiscal Year 2007 Results

MITCHEL FIELD, N.Y., Dec. 13, 2006 (PRIME NEWSWIRE) -- Frequency Electronics, Inc. (Nasdaq:FEIM) reported revenues of \$14.3 million for the second quarter of fiscal year 2007, which ended 31 October 2006, compared to \$11.5 million for the same period of fiscal 2006. For the six month period ended 31 October 2006, revenues were \$28.6 million compared to \$22.6 million in the same period of the previous fiscal year.

As previously announced, quarterly profits were reduced by increased engineering costs principally applied to internally funded development for satellite payload projects. Operating income for the second quarter was \$19,000 compared to \$56,000 in the same quarter of fiscal 2006, and \$691,000 in the preceding quarter. For the first six months of fiscal 2007, operating income was \$710,000, compared to \$167,000 for the first six months in the preceding year. Net income for the second quarter was \$187,000, or \$0.02 per diluted share. For the same period last year, net income was \$1.3 million, or \$0.15 per diluted share, which included pre-tax gains of \$1.8 million on the sale of real property and marketable securities. For the first six months of fiscal 2007, net income was \$1.1 million, or \$0.12 per diluted share, compared to \$2.5 million, or \$0.29 per diluted share, which included pre-tax gains of \$2.8 million from the sale of real property and marketable securities in the first six months of fiscal 2006.

Chairman of the Board General Joseph Franklin made the following comment: "With the second half of the year still to go, we see fiscal 2007 shaping up to be an outstanding year for Frequency Electronics. The most recent R&D investments in our space business add substantially to our production capacity. These added capabilities will be reflected in projects already underway and in contracts presently being negotiated. Overall, for the balance of this year we will be focusing on generating significant growth in revenues."

In the Company's major business areas, (Satellite Payloads, U.S. Government/DOD non-satellite Programs and Telecommunications Infrastructure), during this quarter:

- Revenues from space-related programs continued to rise, and are expected to represent approximately 30% of the Company's sales in fiscal 2007. Based on bookings and results to date this will be the fastest-growing area of the company's business this fiscal year. Looking ahead to the many large opportunities coming over the next several years, the Company has increased its capacity to produce state-of-the-art RF microwave systems for satellite payloads.
- U.S. Government/DOD program sales continued relatively flat. Increases in this major future business area depend on production releases from the many programs currently under development. U.S. Government/DOD programs are expected to account for approximately 20% of Company revenues in fiscal 2007.
- As reported in the previous quarter, telecommunications infrastructure sales continued the year-to-year uptrend which began late in fiscal 2006. FEI substantially increased its market share with wireless infrastructure customers, whose forecasts indicate a healthy rise in demand for the year as a whole. This business area is expected to represent approximately 40% of the Company's sales in fiscal 2007.

For the Company's reporting segments, including inter-segment sales of \$760,000 for the first six months of fiscal 2007 and \$1.2 million for the same period in fiscal 2006:

- Revenues for the FEI-NY segment were \$9.5 million for the second quarter, and \$20.2 for the first half of fiscal 2007, which compares to \$14.5 million for the first six months of the prior year. The FEI-NY segment is a combination of the former commercial communications and U.S. Government segments, and includes revenues from all major business areas.
- The Gillam-FEI segment recorded revenues of \$2.4 million for the second quarter and \$4.5 million for the first six months of fiscal 2007, compared to \$4.1 million for the first six months of fiscal 2006. The Gillam-FEI segment includes revenues primarily from wireline telecommunications infrastructure and from other network management products.
- Revenues for the FEI-Zyfer segment were \$2.8 million for the second quarter and \$4.7 million for the first six months of fiscal 2007, compared to \$5.1 million for the first six months of the prior year. Substantially all of FEI-Zyfer's products are used in telecommunications infrastructure. Approximately 60% of FEI-Zyfer's revenues are derived from U.S. Government/DOD programs.

Chief Financial Officer Alan Miller added the following comment: "During the second quarter R&D expenses increased by \$1.3 million over the first quarter. This investment enables the Company to increase its production capacity on a cost-effective basis. Even with this additional investment, the Company generated positive operating cash flow for the second quarter and for the first half of the year."

Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on Wednesday, December 13, 2006, at 11:30 a.m. Eastern Time. Investors and analysts may access the call by dialing 1-877-704-5379. International callers may dial 1-913-312-1293. 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 or at Thomson/CCBN's individual investor center at 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® (Fidelity.com) and others.

The call will be archived on the Company's website through January 12, 2007. The archived call may also be retrieved at 1-888-203-1112 (domestic) or 1-719-457-0820 (international) using Passcode ID 9402283

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, Calif., 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

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		Six Months Ended	
	October 31,		October 31,	
	2006	2005	2006	2005
	----	----	----	----
	(unaudited)		(unaudited)	
	(in thousands except per share data)			
Net Sales	\$14,320	\$11,499	\$28,634	\$22,556
Cost of Sales	8,980	7,401	18,441	14,361
	-----	-----	-----	-----
Gross Margin	5,340	4,098	10,193	8,195
Selling and Administrative	2,674	2,533	5,455	5,077
Research and Development	2,647	1,509	4,028	2,951
	-----	-----	-----	-----
Operating Profit	19	56	710	167
Interest and Other, Net	349	2,093	896	3,603
	-----	-----	-----	-----
Income before Income Taxes	368	2,149	1,606	3,770
Income Tax Provision	181	817	521	1,296
	-----	-----	-----	-----
Net Income	\$ 187	\$ 1,332	\$ 1,085	\$ 2,474
	=====	=====	=====	=====
Net Income per Share:				
Basic	\$ 0.02	\$ 0.16	\$ 0.13	\$ 0.29
	=====	=====	=====	=====
Diluted	\$ 0.02	\$ 0.15	\$ 0.12	\$ 0.29
	=====	=====	=====	=====
Average Shares Outstanding				
Basic	8,592,113	8,531,238	8,584,409	8,525,629
	=====	=====	=====	=====
Diluted	8,744,852	8,674,280	8,732,393	8,665,810
	=====	=====	=====	=====

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	October 31,	April 30,
	2006	2006
	----	----
	(in thousands)	
ASSETS		
Cash & Marketable Securities	\$ 23,843	\$ 24,475
Accounts Receivable	13,754	15,868

Inventories	26,476	22,971
Other Current Assets	3,424	3,449
Property, Plant & Equipment	6,899	6,663
Other Assets	13,607	13,315
	-----	-----
	\$ 88,003	\$ 86,741
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$ 6,963	\$ 6,988
Long-term Obligations and Other	9,199	9,120
Stockholders' Equity	71,841	70,633
	-----	-----
	\$ 88,003	\$ 86,741
	=====	=====

CONTACT: Frequency Electronics, Inc.
 Alan Miller, CFO
 General Joseph P. Franklin, Chairman
 (516) 794-4500
www.frequencyelectronics.com