

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 July 31, 1997

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

11-1986657

(State or other jurisdiction of
incorporation or organization)

(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 September 9, 1997 - 5,094,363.

Page 1 of 12

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

INDEX

Part I. Financial Information:

Page No.

Item 1 - Financial Statements:

Consolidated Condensed Balance Sheets -
July 31, 1997 and April 30, 1997 3-4

Consolidated Condensed Statements of Operations
Three Months Ended July 31, 1997 and 1996 5

Consolidated Condensed Statements of Cash Flows
Three Months Ended July 31, 1997 and 1996 6

Notes to Consolidated Condensed Financial Statements 7

Item 2 - Management's Discussion and Analysis of
Financial Condition and Results of Operations 8-10

Part II. Other Information:

Item 1 - Legal Proceedings	11
Item 6 - Exhibits and Reports on Form 8-K	11
Signatures	12

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Consolidated Condensed Balance Sheets

	July 31, 1997 (UNAUDITED) (In thousands)	April 30, 1997 (NOTE A)
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 4,188	\$ 3,448
Marketable Securities	22,812	21,112
Accounts receivable, net (NOTE B)	13,439	14,797
Inventories (NOTE C)	11,067	11,060
Prepaid and other	1,462	1,233
	-----	-----
Total current assets	52,968	51,650
Property, plant and equipment, net	9,105	9,059
Investment in direct finance lease	9,717	9,702
Other assets	4,445	4,455
	-----	-----
Total assets	\$76,235 =====	\$74,866 =====

See accompanying notes to consolidated condensed financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Consolidated Condensed Balance Sheets (Continued)

	July 31, 1997 (UNAUDITED) (In thousands)	April 30, 1997 (NOTE A)
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Current maturities of long-term debt	\$ 9,750	\$ 9,718
Accounts payable - trade	708	882
Accrued liabilities and other	2,898	3,740
	-----	-----
Total current liabilities	13,356	14,340
Long term debt net of current maturities	1,500	1,687
Other	3,891	3,773
	-----	-----
Total liabilities	18,747	19,800
	-----	-----
Stockholders' equity:		
Preferred stock - \$1.00 par value	-0-	-0-
Common stock - \$1.00 par value	6,006	6,006
Additional paid - in capital	35,139	35,190
Retained earnings	21,812	20,414
	62,957	61,610
Common stock reacquired and held in treasury		
- at cost, 950,337 shares at July 31		
and 1,032,812 shares at April 30, 1997	(4,018)	(4,612)
Unamortized ESOP debt	(1,375)	(1,500)
Notes receivable - common stock	(303)	(435)
Unearned compensation	(65)	(77)
Unrealized holding gain	292	80
	-----	-----
Total stockholders' equity	57,488	55,066
	-----	-----
Total liabilities and stockholders' equity	\$76,235	\$74,866
	=====	=====

See accompanying notes to consolidated condensed
financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
 Consolidated Condensed Statements of Operations

Three Months Ended July 31,
 (Unaudited)

1997 1996
 (In thousands except per share data)

Net Sales	\$ 7,301	\$ 6,124			
	-----	-----			
Cost of sales	4,820	3,887			
Selling and administrative expenses	1,343	1,306			
Research and development expense	293	360			
	-----	-----			
Total operating expenses	6,456	5,553			
	-----	-----			
Operating profit	845	571			
Other income (expense):					
Interest income	441	337			
Interest expense	(233)	(223)			
Other income, net	395	319			
	-----	-----			
Earnings before provision for income taxes	1,448	1,004			
Income tax provision	50	65			
	-----	-----			
Net earnings	\$ 1,398	\$ 939			
	=====	=====			
Net earnings per common share	\$ 0.27	\$ 0.20			
	=====	=====			
Weighted average common and common equivalent shares outstanding	5,093,515	4,669,175			
	=====	=====			

See accompanying notes to consolidated condensed
 financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
Consolidated Condensed Statements of Cash Flows
Three Months Ended July 31,
(Unaudited)

	1997 ----	1996 ----
(In thousands)		
Cash flows from operating activities:		
Net earnings	\$ 1,398	\$ 939
Non-cash charges to earnings	592	408
Net changes in assets and liabilities	941	(1,619)
	-----	-----
Net cash provided by (used in) operating activities	2,931	(272)
Cash flows from investing activities:		
Purchase of marketable securities -net	(1,476)	(15,053)
Other - net	(282)	(22)
	-----	-----
Net cash used in investing activities	(1,758)	(15,075)
Cash flows from financing activities:		
Dividends paid	(746)	-
Other - net	313	(188)
	-----	-----
Net cash used in financing activities	(433)	(188)
	-----	-----
Net increase (decrease) in cash	740	(15,535)
Cash at beginning of period	3,448	15,915
	-----	-----
Cash at end of period	\$ 4,188	\$ 380
	=====	=====

See accompanying notes to consolidated condensed
financial statements.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements
(Unaudited)

NOTE A - CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management of the Company, the accompanying unaudited consolidated condensed 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 July 31, 1997 and the results of its operations and cash flows for the three months ended July 31, 1997 and 1996. The April 30, 1997 consolidated condensed 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 consolidated condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 1997 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 - ACCOUNTS RECEIVABLE

Accounts receivable at July 31, 1997 and April 30, 1997 include costs and estimated earnings in excess of billings on uncompleted contracts accounted for on the percentage of completion basis of approximately \$8,667,000 and \$7,722,000, 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 C - INVENTORIES

Inventories, which are reported net of reserves of \$350,000 at July 31, 1997 and April 30, 1997, consist of the following:

	July 31, 1997 -----	April 30, 1997 -----
	(In thousands)	
Raw materials and Component parts	\$ 3,041	\$ 2,797
Work in progress	8,026 -----	8,263 -----
	\$11,067 =====	\$11,060 =====

NOTE D - EARNINGS PER SHARE

Primary earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock and, when dilutive, common stock equivalents outstanding.

NOTE E - CONTINGENCIES

Reference is made to Note 9 of the Company's Annual Report on Form 10K for the year ended April 30, 1997 for information regarding legal proceedings. See also Part II, Item 1 of this Form 10Q.

NOTE D - RECENTLY ISSUED PRONOUNCEMENTS

The Financial Accounting Standards Board recently issued SFAS No. 128, "Earnings per Share," SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which are effective for the Company in future periods. The Company is in the process of assessing the effect these pronouncement will have on its financial statements and related disclosures.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Item 2

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

RESULTS OF OPERATIONS

Comparative details of results of operations for the three months ended July 31:

(Dollar amounts in thousands)

	Three months ended July 31		% change
	1997	1996	
	----	----	-----
Net Sales			
Commercial	\$6,157	\$3,429	80%
US Government	1,144	2,695	(58%)
	-----	-----	
	7,301	6,124	19%
Cost of Sales	4,820	3,887	24%
Selling and administrative expenses:	1,343	1,306	3%
Research and development expenses	293	360	(19%)
	-----	-----	
Operating income	845	571	48%
Nonoperating income- net	603	433	39%
Net earnings	\$ 1,398	\$ 939	49%
	=====	=====	

For the three months ended July 31, 1997, operating income improved by \$274,000 over the comparable period of fiscal year 1997 and net earnings increased by \$459,000. These results were achieved through a 19% increase in sales coupled with reduced costs relative to sales over the first quarter of fiscal year 1997.

As illustrated in the table above, commercial sales continue to grow, increasing by 80% over the first quarter of 1997. As a percentage of total sales, commercial sales have increased to 84% in the three months ended July 31, 1997 from 56% in the comparable 1997 quarter. The Company expects that commercial sales will continue to be the dominant portion of its business for the balance of the fiscal year and for the foreseeable future.

Gross margins for the three months ended July 31, 1997 have decreased to 34% as compared to 37% for the quarter ended July 31, 1996. The lower margins resulted principally from reductions in margins to be realized on two long-term contracts. Excluding these two contracts, margins on the balance of the Company's revenues were approximately 40%. Although the Company does not anticipate losses on other current contracts, with the present mix of commercial versus government projects and recent contract bookings, the Company expects to realize improved profit margins for the remainder of fiscal 1998.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

Selling and administrative costs increased by \$37,000 or 3% for the quarter ended July 31, 1997, over the three months ended July 31, 1996. These cost increases result from increased accruals for incentive bonuses as a result of the Company's increased profitability, offset in part by reduced health insurance costs.

Research and development costs in the fiscal 1998 period decreased by \$67,000 over the comparable three month period ended July 31, 1996. This decrease is the result of more focused efforts on those new products and enhancing the functional capabilities of existing products which will serve primarily the Company's commercial customers. The Company expects to continue to invest in research and development at approximately the same rate for the balance of fiscal 1998 and for the foreseeable future.

Net nonoperating income and expense increased by \$170,000 in the three months ended July 31, 1997 from the comparable fiscal 1997 quarter. Interest income increased by \$104,000 (31%) in the 1998 quarter over the comparable 1997 quarter. This is the result of an 10% increase in interest-earning assets from July 31, 1996 to July 31, 1997 coupled with an increase in interest rates from the levels of the fiscal 1997 quarter. Interest expense increased by \$10,000 (4%) during the fiscal 1998 quarter compared to the period ended July 31, 1996. This increase is also the result of higher interest rates during the 1998 quarter offset by declining long-term debt balances as the Company makes scheduled principal payments. Although the Company is unable to predict the future levels of interest rates, at current rates the Company anticipates that investment income will continue to increase and interest expense will decrease when compared to earlier fiscal periods. Other income, which consists principally of rental income under a long-term lease, net of related expenses, increased by \$76,000 for the three-month period ended July 31, 1997 compared to the comparable fiscal 1997 quarter. This increase resulted from an increase in lease income which is tied to interest rates. Net rental income is expected to continue at present levels for the balance of fiscal 1998 and into the early part of the next fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet continues to reflect a strong working capital position of \$39.6 million at July 31, 1997 compared to working capital at April 30, 1997 of \$37.3 million. Included in working capital at July 31, 1997 is \$22.8 million of cash, cash equivalents and marketable securities which are readily convertible to cash. Also included in working capital is a real estate construction loan of \$9 million which is due on January 30, 1998.

Net cash provided by operating activities for the three months ended July 31, 1997, was \$2.9 million compared to a net cash outflow of \$272,000 in the comparable fiscal 1997 quarter. The increase in net inflow of cash from operating activities in the fiscal 1998 period occurred principally through significant cash collections on accounts receivable. Accounts receivable decreased by \$1,358,000 despite an increase in costs and estimated earnings in excess of billings on uncompleted contracts of \$945,000. The Company anticipates that operating activities for all of fiscal 1998 will generate positive cash flow.

Net cash used in investing activities for the three months ended July 31, 1997, was \$1,758,000. Of this amount, \$1,476,000 was used to acquire certain U.S. government and agency securities. The Company may continue to acquire or redeem marketable securities as dictated by its investment strategies. In the first quarter, the Company acquired capital equipment for approximately \$282,000. At July 31, 1997, the Company had no material commitments for additional capital expenditures. In addition, the Company believes it has sufficient resources to acquire capital equipment as needs are identified.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

Net cash used in financing activities for the three months ended July 31, 1997, was \$433,000 compared to \$188,000 for the comparable fiscal 1997 quarter. Included in the fiscal 1998 amount is \$155,000 (net) used to make regularly scheduled long-term debt payments and payment of the Company's initial semiannual dividend in the aggregate amount of \$746,000. These outflows were partially offset by transactions related to the Company's common stock and involving certain officers and other employees who exercised stock option rights (\$336,000) or repaid notes receivable for common stock acquired in a prior year (\$132,000). On January 30, 1998, the Company is obligated to repay the \$9 million real estate construction loan which was used to finance the building which is leased to a third party under a direct finance lease. The Company is evaluating its options which may include paying the loan out of current assets, refinancing the loan or some combination thereof.

The Company will continue to expend its resources and efforts to develop hardware for commercial satellite programs and commercial ground communication and navigation systems which management believes will result in future growth and continued profitability. Internally generated cash will be adequate to fund development efforts in these markets.

At July 31, 1997, the Company's backlog amounted to approximately \$22 million compared to the approximately \$14 million backlog at April 30, 1997. The backlog of commercial and foreign customers approximates \$19 million at July 31, 1997.

"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 herein. Such risks include changes in contractual agreements or a change in status under the US government-imposed suspension and other risks as more fully described in the Company's Annual Report on Form 10K filed with the Securities and Exchange Commission.

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES
(Continued)

PART II

ITEM 1 - Legal Proceedings

On November 17, 1993, Registrant was indicted on criminal charges alleging conspiracy and fraud in connection with six contracts for which Registrant was a subcontractor. In addition, two derivative actions have been filed against the Board of Directors essentially seeking recovery on behalf of the Company for any losses it incurs as a result of the indictment.

On December 14, 1993, Registrant was notified by the U.S. Department of the Air Force that it had been suspended from contracting with any agency of the government. Certain exceptions will apply if a compelling reason exists. The suspension is temporary subject to the outcome of the legal proceedings in connection with the indictment.

In March 1994, a qui tam action was filed against the Registrant and its former chief executive officer and, in July 1995, a separate qui tam action was served upon the Registrant and certain employees of Registrant.

The Company and the individual defendants have pleaded not guilty to all actions and are vigorously contesting all charges.

On February 14, 1997, the Company filed a petition in federal district court to obtain an injunction against continuance of the government contract suspension. On March 14, 1997, the court dismissed the Company's action and refused to grant the Company's motion for an injunction. The Company has appealed the district court's decision to the United States Court of Appeals. No opinion can be offered as to the outcome of the appeal.

For all items noted above reference is made to Item 3 - Legal Proceedings of Registrant's Annual Report on Form 10K for the year ended April 30, 1997 on file with the Securities and Exchange Commission.

ITEM 6 - Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) No reports on Form 8-K were filed during the quarter ended July 31, 1997.

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: September 15, 1997

BY /s/ Joseph P. Franklin

Joseph P. Franklin
Chief Executive Officer and
Chief Financial Officer

Date: September 15, 1997

BY /s/ Alan Miller

Alan Miller
Controller

		1000	
3-mos			
APR-30-1998			
JUL-31-1997			4188
		22812	
		13629	
		190	
		11067	
	52968		
		16380	25485
		76235	
13356			
			1500
0			
		0	
		6006	
		51482	
54788			
			7301
	7696		
			4820
		4820	
		1636	
		0	
	233		
		1448	
			50
1398			
		0	
		0	
			0
		1398	
		0.27	
		0.27	