



Frequency Electronics, Inc. Announces First Quarter Fiscal Year 2008 Results

MITCHEL FIELD, N.Y., Sep 12, 2007 (PrimeNewswire via COMTEX News Network) --

Frequency Electronics, Inc. (Nasdaq:FEIM) reported revenues of \$15.6 million for the first quarter of fiscal year 2008, which ended July 31, 2007, compared to \$15.5 million for the preceding quarter and \$14.3 million for the same period of fiscal 2007.

Net income for the first quarter fiscal 2008 was \$1.4 million, or \$0.16 per diluted share, compared to a loss of \$588,000, or (\$0.07) per diluted share, in the preceding quarter. Net income for the same period last year was \$898,000, or \$0.10 per diluted share. Net income for the first quarter includes a pre-tax gain of \$3.0 million on the sale of a portion of the Company's investment in Morion, Inc. Operating loss declined from \$2.7 million in the preceding quarter to \$792,000 in the first quarter of fiscal 2008, compared to an operating profit of \$691,000 in the first quarter of fiscal 2007.

Commenting on these results, Chairman of the Board General Joseph Franklin said: "We are right on track with our expectations for an excellent year of growth. We made exceptional investments to support our expanding space business. We maintained the higher revenue rate achieved in the previous quarter, and we see this rate increasing during the balance of this fiscal year."

Reporting on the Company's major business areas: (Satellite Payloads, U.S. Government/DOD Non-satellite Programs, and Telecommunications Infrastructure):

- Revenues from satellite payloads grew more than 60% over the rate of fiscal 2007, and became the Company's largest business area this past quarter. Space business is expected to further accelerate during fiscal 2008. The Company has received approximately \$1.0 million early funding for risk mitigation designed to protect schedule for one of three large satellite payload programs projected for award before the end of calendar year 2007.
- Sales to U.S. Government/DOD non-satellite programs increased over 25% from the rate experienced during the previous fiscal year. The Company has been awarded an initial contract (approximately \$2.0 million) to provide low-g sensitivity quartz and atomic-based timing systems for Unmanned Aerial Vehicles (UAV's). This contract represents the first transition from prototype to pilot production for the Company's low-g sensitivity timing systems.
- Telecommunications infrastructure sales decreased approximately 15% from the high levels achieved in the previous fiscal year. Typically, these revenues fluctuate with the award of infrastructure projects to the major manufacturers. As revenues increase in the other major business areas, these fluctuations have less impact on the Company's overall results. In fiscal 2008, the Company expects to increase market share of timing and synchronization systems for telecommunications infrastructure.

For the Company's reporting segments during this quarter:

- Revenues for the FEI-NY segment were \$11.8 million, compared to \$11.7 million in the preceding quarter and \$10.7 million in the first quarter of fiscal 2007. The FEI-NY segment includes

revenues from all major business areas.

- The Gillam-FEI segment recorded revenues of \$2.3 million for this quarter, compared to \$3.9 million in the preceding quarter. These revenues include approximately \$400,000 and \$1.3 million, respectively, of US5G systems inventory sales to FEI-NY. Revenues for the first quarter of the prior fiscal year were \$2.0 million. The Gillam-FEI segment includes revenues primarily from wireline telecommunications infrastructure and from other network management products
- Revenues for the FEI-Zyfer segment were \$2.0 million for this quarter, compared to \$1.4 million for the preceding quarter and \$1.9 million for fiscal 2007. The increased revenues for this quarter are in line with higher sales and earnings anticipated for this fiscal year. The majority of FEI-Zyfer's sales are derived from US Government/DOD programs.

Chief Financial Officer Alan Miller added the following comment on the Company's financial report: "Higher levels of development and engineering expenditures continued into the first quarter of fiscal 2008, but trended significantly lower than those experienced in the last quarter of fiscal 2007. As a result, gross margins increased from 20% to 28% and the operating loss was substantially reduced. As exceptional expenditures abate and higher revenues are realized, we can expect more meaningful improvements in gross margins, profitability, and cash flow to follow this fiscal year."

Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on Wednesday, September 12, 2007, at 12:00 Noon Eastern Time. Investors and analysts may access the call by dialing 1-800-289-0544. International callers may dial 1-913-981-5533. Ask for the Frequency Electronics conference call.

The call will be archived on the Company's website through October 12, 2007. The archived call may also be retrieved at 1-888-203-1112 (domestic) or 1-719-457-0820 (international) using Passcode ID 6870143.

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. Frequency's products are used in commercial, government and military systems, including satellite payloads, missiles, UAVs, aircraft, GPS, secure radios, SCADA, energy exploration and wireline and wireless communication networks. Frequency 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. Subsidiaries and Affiliates: Gillam-FEI provides expertise in wireline network synchronization and SCADA; FEI-Zyfer provides GPS and secure timing ("SAASM") capabilities for critical military and commercial applications; FEI-Asia provides cost effective manufacturing and distribution capabilities in a high growth market. Frequency's Morion affiliate supplies high-quality, cost effective quartz oscillators and components. Elcom Technologies provides added resources for state-of-the-art RF microwave products. Additional information is available on the Company'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.

Quarter Ended
July 31,
2007 2006
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(unaudited)

(in thousands except per share data)

Net Sales	\$ 15,557	\$ 14,314
Cost of Sales	11,086	9,461
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Gross Margin	4,471	4,853
Selling and Administrative	3,086	2,782
Research and Development	2,177	1,380
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Operating (Loss) Profit	(792)	691
Interest and Other, net	3,032	547
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Income before Income Taxes	2,240	1,238
Income Tax Provision	860	340
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Net Income	\$ 1,380	\$ 898
	=====	=====
Net Income per Common Share:		
Basic	\$ 0.16	\$ 0.10
	=====	=====
Diluted	\$ 0.16	\$ 0.10
	=====	=====
Average Common Shares Outstanding:		
Basic	8,695,027	8,576,705
	=====	=====
Diluted	8,783,676	8,719,934
	=====	=====

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

July 31, April 30,
2007 2007
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(in thousands)

ASSETS

Cash & Marketable Securities	\$ 17,401	\$ 15,604
Accounts Receivable	17,543	15,626
Inventories	32,215	31,201
Other Current Assets	4,657	5,172
Property, Plant & Equipment	8,003	7,839
Other Assets	15,780	18,384
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	\$ 95,599	\$ 93,826
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$ 13,013	\$ 13,631
Long-term Obligations and Other	9,395	9,311
Stockholders' Equity	73,191	70,884
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\$ 95,599	\$ 93,826
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SOURCE: Frequency Electronics, Inc.

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