



## Frequency Electronics, Inc., Announces Fiscal Year 2006 Results

MITCHEL FIELD, N.Y.--(BUSINESS WIRE)--July 13, 2006--Frequency Electronics, Inc. (AMEX:FEI) reported revenues for the fourth quarter of fiscal year 2006, which ended 30 April, 2006, of \$15.1 million compared to \$11.9 million for the same period of fiscal 2005. For fiscal year 2006, revenues were \$52.8 million compared to \$55.2 million for the previous fiscal year.

Operating income for the fourth quarter was \$331,000 compared to an operating loss of \$2.4 million for the same quarter of fiscal 2005. For the full fiscal year 2006, operating income was \$1.7 million, compared to an operating loss of \$1.3 million in fiscal 2005.

In fiscal 2006, the Company recorded net income of \$4.8 million, \$0.55 per diluted share, which included pre-tax gains of \$3.2 million from real estate related investments. For fiscal 2005, net income was \$5.0 million, \$0.58 per diluted share, after pre-tax gains from real estate related investments of \$6.9 million.

Commenting on this report, Chairman of the Board General Joseph Franklin said: "We are very pleased with these results. As we forecast at the end of last year, revenues remained flat for the first half of fiscal 2006. Then, in the second half of the year, revenues and operating earnings rose sharply. We expect these higher revenue rates to continue over the near term, and for fiscal 2007 we anticipate healthy growth in revenues and operating earnings."

Summarizing the Company's major markets in fiscal year 2006:

- FEI's satellite business achieved significant gains and proposal activity remained very high. Revenues from commercial and U.S. Government satellite sales were \$14.7 million, compared to \$6.7 million in the previous fiscal year, representing 28% of total revenues, compared to 12% in the prior fiscal year.
- Total sales to the U.S. Government were \$13.3 million, a 20% increase over fiscal 2005. U.S. Government business this year comprised 25% of the Company's total sales. FEI products are now embedded in more than 15 important weapons, navigation, and communication platforms. FEI's unique low-noise and low-G sensitivity technology is a key ingredient to achieve the required functionality of these critical programs, all of which are in development or pre-production phases. Many of these programs represent large potential future revenue opportunities for the Company.
- Sales of wireless products to telecommunications equipment manufacturers were off nearly 30% year-over-year, due to a decline in demand which began in the second half of fiscal 2005. Wireless revenues improved during the second half of the year, but have not yet recovered to the levels of early fiscal 2005. Over time, the world-wide demand for service and connectivity will require major expansion of the terrestrial wireless communications networks that exist today. Furthermore, the Company expects its new family of proprietary quartz products to capture a larger market share in the buildout of this expanding infrastructure.

Effective with this reporting period, the Company will report sales and operating results for three segments: (1) FEI-NY (2) Gillam-FEI; and (3) FEI-Zyfer. The FEI-NY segment is a combination of the former Commercial Communications and U.S. Government segments. The Company will continue to disclose aggregate U.S. Government sales, which are generated by both the FEI-Zyfer and FEI-NY segments.

- Revenues for the FEI-NY segment were \$34.8 million for fiscal 2006, compared to \$36.2 million for fiscal 2005. These figures reflect reduced sales to wireless OEM's offset in part by increased sales of space products.
- Gillam-FEI recorded revenues of \$8.2 million for fiscal 2006, compared to \$10.2 million in fiscal 2005. Intercompany R&D sales are not included in these figures. In February 2006, Gillam-FEI reported their initial order for the US5Ge, the new wireline synchronization system unit developed in conjunction with FEI-NY. This product addresses a large domestic and international market. Further bookings in fiscal 2007 will depend primarily upon the rate of deployment of central office replacements and upgrades by large US and overseas service providers.
- FEI-Zyfer's revenues were \$9.7 million for fiscal 2006, compared to \$8.8 million for fiscal 2005. The Company expects sales and earnings for this segment to continue to grow in fiscal 2007.

Chief Financial Officer Alan Miller added the following comment: "The positive trend of improving margins continued. Gross margins in fiscal year 2006 increased to 35% of sales from the prior year's 33%. Selling and administrative expenses were 20% of revenues, in line with our targets. As a result of these operational improvements, we swung from a \$1.3 million operating loss last year to a \$1.7 million operating profit in the current year. This outcome supports our expectations for much higher operating profits on future increased revenues."

#### Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results today, July 13, 2006, at 12:30 PM Eastern Time. Investors and analysts may access the call by dialing 1-866-550-6338. International callers may dial 1-347-284-6930. Ask for the Frequency conference call.

The call will also be available at the Company's website at [www.frequencyelectronics.com](http://www.frequencyelectronics.com) or at Thomson/CCBN's individual investor center at [www.companyboardroom.com](http://www.companyboardroom.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 August 12, 2006. The archived call may also be retrieved at 1-888-203-1112 (domestic) or 1-719-457-0820 (international) using Passcode ID 4991410.

#### 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, CA, 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](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,	
	2006	2005	2006	2005
	----	----	----	----
	(unaudited)			
	(in thousands except per share data)			
Net Sales	\$15,142	\$11,907	\$52,810	\$55,173
Cost of Sales	10,182	8,476	34,193	37,013
	-----	-----	-----	-----
Gross Margin	4,960	3,431	18,617	18,160
Selling and Administrative	2,462	2,961	10,616	11,719
Compensation Charges	-	876	-	876
Research and Development	2,167	1,984	6,291	6,834
	-----	-----	-----	-----
Operating Profit (Loss)	331	(2,390)	1,710	(1,269)
Interest and Other, Net	698	7,190	4,917	8,415
	-----	-----	-----	-----
Income before Taxes & Minority Interest	1,029	4,800	6,627	7,146
Minority Interest	-	-	-	(1)
	-----	-----	-----	-----
Income before Income Taxes	1,029	4,800	6,627	7,147
Income Tax (Benefit) Provision	(47)	1,280	1,829	2,110
	-----	-----	-----	-----
Net Income	\$ 1,076	\$ 3,520	\$ 4,798	\$ 5,037
	=====	=====	=====	=====
Net Income per Share:				
Basic	\$ 0.13	\$ 0.41	\$ 0.56	\$ 0.59
	=====	=====	=====	=====
Diluted	\$ 0.12	\$ 0.41	\$ 0.55	\$ 0.58
	=====	=====	=====	=====
Average Shares Outstanding				
Basic	8,556,932	8,517,694	8,537,427	8,484,682
	=====	=====	=====	=====
Diluted	8,756,414	8,683,305	8,690,617	8,684,758
	=====	=====	=====	=====

Frequency Electronics, Inc. and Subsidiaries  
Consolidated Condensed Balance Sheets

	April 30,	April 30,
	2006	2005
	----	----
	(in thousands)	
ASSETS		
Cash & Marketable Securities	\$ 24,475	\$ 30,233
Accounts Receivable	15,868	12,728
Inventories	22,971	22,948
Other Current Assets	3,681	3,631
Property, Plant & Equipment	6,663	6,770

Other Assets	13,315	12,064
	-----	-----
	\$ 86,973	\$ 88,374
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$ 7,220	\$ 9,844
Long-term Obligations and Other	9,120	9,337
Stockholders' Equity	70,633	69,193
	-----	-----
	\$ 86,973	\$ 88,374
	=====	=====

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

SOURCE: Frequency Electronics, Inc.