



Frequency Electronics, Inc. Announces Fiscal Year 2002 Results

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MITCHEL FIELD, N.Y., Jun 26, 2002 (BUSINESS WIRE) -- Frequency Electronics, Inc. (AMEX-FEI) today announced that its fiscal year 2002 revenues were \$41.2 million and net income was \$1.4 million or \$0.16 per diluted share.

This is compared to revenue of \$49.2 million and net income of \$5.6 million (\$0.67 per share) in fiscal 2001. For the fourth quarter ended April 30, 2002, the Company recorded revenue of \$9.1 million and a net loss of \$580,000 or \$0.07 per diluted share compared to \$14.3 million in revenue and \$1.7 million net income (\$0.20 per share) in the same period of fiscal 2001. President and CEO, Martin Bloch, said "While these results reflect the slowdown in the telecommunications infrastructure market we have continued to focus on long term growth. Our significant R&D investments are directed to process improvements and new products, including quartz standards and synchronization units for wireline networks."

Research and development spending for the fiscal year was \$6.6 million of which \$2.3 million was recorded in the fourth quarter. Fourth quarter results also include charges to income of approximately \$1 million related to inventory reserves and writedowns and a \$300,000 equity investment writeoff. Offsetting these charges was the receipt of \$1.5 million for insurance reimbursement related to litigation settled in fiscal 1998.

For the year, operating profit was \$89,000 with a \$1.4 million loss recorded in the fourth quarter. This is compared to operating profit of \$5.9 million and \$2.1 million in the same periods of fiscal 2001, respectively. Gross margins for fiscal year 2002 were 34% and 22% for the fourth quarter, after inventory adjustments. Excluding such adjustments, gross margins would have been 37% and 33%, respectively.

Revenues for Gillam-FEI, net of intercompany transactions, were \$10.5 million for the year up from \$9.2 million in the prior fiscal year. For the fiscal 2002 fourth quarter, Gillam-FEI revenues were \$3.5 million. After incurring research and development expenses of \$1.1 million, Gillam-FEI recorded net income of \$36,000 for fiscal 2002.

In the last several months, the Company has experienced a significant upturn in proposal activity for Government programs and revenues have begun to climb. Sales to the Government increased 20% over the prior year and 41% from the third to the fourth quarter of fiscal 2002.

The Company was cash flow positive on an operating and overall basis for the fourth quarter and the full fiscal year. After the payment of \$1.7 million of dividends, the Company ended the year with \$36.2 million in cash, cash equivalents and marketable securities compared to \$35.5 million at the end of the prior year.

About Frequency Electronics

Frequency Electronics, Inc. is a world leader in the design, development and manufacture of high-technology frequency, timing and synchronization products for satellite and terrestrial voice, video and data telecommunications. The Company's technologies provide unique solutions that are essential building blocks for the next generation of broadband wireless and fiber optic communications systems, and for the ongoing expansion of existing wireless and wireline networks. 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		Year Ended	
	April 30,		April 30,	
	2002	2001	2002	2001
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	(unaudited)			
	(in thousands except per share data)			
Net Sales	\$ 9,079	\$ 14,305	\$ 41,179	\$ 49,210
Cost of Sales	7,127	11,710	27,090	32,180
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Gross Margin	1,952	2,595	14,089	17,030
Insurance Reimbursement	(1,500)	(2,800)	(1,500)	(2,576)
Selling and Administrative	2,528	1,899	8,932	8,820
Research and Development	2,333	1,347	6,568	4,847
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Operating (Loss) Profit	(1,409)	2,149	89	5,939
Interest and Other, Net	226	184	1,608	2,326
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Income before Taxes & Minority Interest	(1,183)	2,333	1,697	8,265
Minority Interest	(3)	25	(1)	29
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Income before Income Taxes	(1,180)	2,308	1,698	8,236
Income Tax (Benefit) Provision	(600)	574	320	2,592
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Net (Loss) Income	\$ (580)	\$ 1,734	\$ 1,378	\$ 5,644
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Net (Loss) Income per Share:				
Basic	(\$ 0.07)	\$ 0.21	\$ 0.17	\$ 0.69
	=====	=====	=====	=====
Diluted	(\$ 0.07)	\$ 0.20	\$ 0.16	\$ 0.67
	=====	=====	=====	=====
Average Shares Outstanding				
Basic	8,366,621	8,289,733	8,350,735	8,198,569
	=====	=====	=====	=====
Diluted	8,366,621	8,457,779	8,529,175	8,431,823
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Frequency Electronics, Inc. and Subsidiaries
Consolidated Condensed Balance Sheets

	April 30,	April 30,
	2002	2001
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	(in thousands)	
ASSETS		
Cash & Marketable Securities	\$ 36,231	\$ 35,528
Accounts Receivable	11,725	15,160
Inventories	19,601	20,471
Other Current Assets	4,995	8,975
Property, Plant & Equipment	11,301	11,997
Other Assets	10,860	9,908
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	\$ 94,713	\$102,039

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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	\$ 6,314	\$ 13,534
Long-term Obligations and Other	18,026	18,300
Stockholders' Equity	70,373	70,205
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	\$ 94,713	\$102,039
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CONTACT:

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