



Frequency Electronics Announces Results for Second Quarter Fiscal Year 2006

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MITCHEL FIELD, N.Y.--(BUSINESS WIRE)--Dec. 13, 2005--Frequency Electronics, Inc. (AMEX:FEI) today announced that revenues for the second quarter of fiscal year 2006, which ended October 31, 2005, were \$11.5 million compared to \$14.4 million for the same period of fiscal 2005, and \$11.1 million for the first quarter of fiscal 2006. For the six-month period ended October 31, 2005, revenues were \$22.6 million compared to \$32.0 million in the first six months of the previous fiscal year.

In the second quarter, the Company recorded net income of \$1.3 million, \$0.15 per diluted share, compared to \$854,000, \$0.10 per diluted share, in the same quarter of fiscal 2005. Net income in the first quarter of fiscal 2006 was \$1.1 million, \$0.13 per diluted share. For the six month period ended October 31, 2005, net income was \$2.5 million, \$0.29 per diluted share, compared to \$1.9 million, \$0.22 per diluted share, in the same period of the previous fiscal year. The fiscal 2006 periods include realized gains on sales of marketable securities and, in the second quarter, from the sale of real property. Operating income for the first six months of fiscal year 2006 was \$167,000 compared to operating income of \$2.0 million on revenues that were \$9.5 million higher in the same period of fiscal year 2005.

Commenting on these results, Chairman of the Board General Joseph Franklin said: "These past two quarters conform to our previously-expressed expectation that this year would start slowly, and we would show substantial gains in operating results during the second half of the year compared to the first six months. The increasing diversity of FEI's products and the markets we address will allow us to offset the trough in demand for timing standards for wireless and wireline infrastructure. This positive outlook is supported by a backlog of over \$45 million at the end of the last quarter, which is up more than fifty percent from the beginning of this fiscal year."

Revenues for the Commercial Communications segment were \$5.9 million for this past quarter and \$10.9 million for the first six months of fiscal 2006. Revenues for the first six months of fiscal 2005 were \$20.1 million. Significant upturn in this segment will depend upon the rate of 3G build out in the United States and wireless deployment in China and India, and commercial satellite sales. Commercial satellite sales continued to show strong growth, and are expected to rise from approximately 10% of total sales in fiscal 2005 to 20% this year.

Second quarter revenues for the US Government segment were \$1.8 million and \$3.7 million for the first six months of fiscal 2006. Revenues for the second quarter and first six months of fiscal 2005 were \$1.6 million and \$3.3 million, respectively. FEI-Zyfer's revenues, a majority of which are derived from US Government programs, were \$2.7 million for the second quarter and \$5.1 million for the first six months of fiscal 2006, compared to \$2.1 million and \$4.2 million for the same periods of fiscal 2005. Taken together, revenues in these segments have grown nearly 20% year-over-year.

Gillam-FEI recorded revenues of \$1.5 million for the second quarter and \$3.7 million for the first six months of fiscal 2006, compared to \$5.0 million for the first six months of fiscal 2005. Intercompany R&D sales are not included in these figures. Revenues from European sales of synchronization products and network monitoring systems were impacted by a slowdown in expenditures for telecommunications infrastructure products from service providers in Europe. Gillam-FEI is continuing to develop new products for telecommunications synchronization, including applications for cable and packet networks. Excluding intercompany R&D sales, fiscal 2006 revenues are expected to be approximately the same as fiscal 2005.

Research and development expenses were \$1.5 million for the first quarter and \$3.0 million for the first six months of fiscal 2006. R&D expenses for the first six months of fiscal 2005 were \$2.8 million.

Chief Financial Officer Alan Miller added the following comment: "We are particularly pleased to see the improvement in gross margins during the first six months of fiscal 2006 compared to fiscal year 2005. Despite a lower revenue rate during the first six months of this fiscal year, we realized a gross margin of 36% compared to 33% for all of last year. We also achieved a modest operating profit during the first six months of the current fiscal year, whereas during the last six months of the previous fiscal year we reported a significant operating loss on comparable revenue. Based on the operating leverage we achieve through higher margins, cost controls, and more efficient operations, we expect to realize greater operating profits as revenues increase over the second half of this fiscal year."

Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on December 13, 2005 at 1:00 PM Eastern Time. Investors and analysts may access the call by dialing 1-800-289-0730. International callers may dial 1-913-981-5509. Ask for the Frequency conference call.

The call will also be available at the Company's website at www.frequencyelectronics.com or at Thomson/CCBN's individual investor center at 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 January 13, 2006. The archived call may also be retrieved at 1-888-203-1112 (domestic) or 1-719-457-0820 (international) using Passcode ID 6809542.

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. 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 in strategic acquisitions to expand its capabilities and markets. The Company's Gillam-FEI subsidiary provides the Company with expertise in wireline network synchronization and access to worldwide service providers. The FEI-Zyfer subsidiary provides secure timing ("SAASM") capabilities for critical military and commercial applications. 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.

WEBSITE: www.frequencyelectronics.com

Frequency Electronics, Inc. and Subsidiaries Consolidated Condensed Summary of Operations

	Quarter Ended		Six Months Ended	
	October 31,		October 31,	
	2005	2004	2005	2004
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	(unaudited)		(unaudited)	
	(in thousands except per share data)			
Net Sales	\$ 11,499	\$ 14,362	\$ 22,556	\$ 32,045
Cost of Sales	7,401	9,103	14,361	21,008
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Gross Margin	4,098	5,259	8,195	11,037
Selling and Administrative	2,533	2,895	5,077	6,188
Research and Development	1,509	1,589	2,951	2,825
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Operating Profit	56	775	167	2,024
Interest and Other, Net	2,093	411	3,603	864
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Income before Taxes & Minority Interest	2,149	1,186	3,770	2,888
Minority Interest	-	(20)	-	(1)
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