



## Frequency Electronics Announces Results for 2nd Quarter Fiscal Year 2004

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MITCHEL FIELD, N.Y., Dec 12, 2003 (BUSINESS WIRE) -- Frequency Electronics, Inc. (AMEX-FEI) today announced that revenues for the second quarter of fiscal year 2004, which ended 31 October 2003, were \$10.0 million, compared to \$8.3 million for the same period of fiscal 2003, and \$8.7 million for the first quarter of fiscal 2004. For the six month period ended 31 October 2003, revenues were \$18.8 million compared to \$15.1 million in the first six months of the previous fiscal year.

In the second quarter, the Company recorded a net loss of \$234,000 (\$0.03 per diluted share) compared to a net gain of \$251,000 (\$0.03 per diluted share) in the same quarter of fiscal 2003. The net loss for the first quarter of fiscal 2004 was \$743,000 (\$0.09 per diluted share). For the six month period ended 31 October 2003, the Company recorded a net loss of \$977,000 (\$0.12 per diluted share) compared to a net loss of \$238,000 (\$0.03 per diluted share) in the same period of fiscal 2003. Fiscal 2004 six month results include an operating loss of \$1.0 million for FEI-Zyfer, which was acquired early in this fiscal year.

Commenting on these results, Chairman of the Board General Joseph Franklin said: "During the second quarter we achieved substantial improvement in revenues, margins, and operating results. Year-to-year, our key business segment in Commercial Communications grew by over 50%. Our very positive outlook for the rest of this fiscal year and beyond is supported by continuing and significant increases in our bookings and backlog."

Revenues from the Commercial Communications segment rose to \$6.1 million during the second quarter of fiscal 2004, up from \$4.0 million in the same period last year and \$4.9 million in the preceding quarter. During the first half of fiscal 2004 bookings for commercial satellite business rose to the best levels in several years

Second quarter revenues for the US Government segment were \$2.0 Million compared to \$2.4 million in the second quarter of the prior year, and \$1.6 million for the first quarter of fiscal 2004. During the first half of fiscal 2004, FEI was awarded contracts for initial development of key products for six major Department of Defense (DOD) programs. Orders for large production quantities of these products are expected to begin in the Company's next fiscal year.

Second quarter revenues for Gillam-FEI were \$1.2 million, compared to \$2.1 million for the same period of fiscal 2003, and \$1.3 million for the first quarter of fiscal 2004. Gillam-FEI's backlog has more than doubled since the beginning of fiscal 2004. Major research and development activities on wireline products for the US market are scheduled for completion by the end of the third quarter of fiscal 2004.

Revenues for FEI-Zyfer were \$1.1 million, compared to \$0.9 million in the preceding quarter, which was its first reporting period since being acquired by FEI.

Bookings for Commercial Communications and FEI-Zyfer have increased substantially. The Company's total backlog at the end of this quarter was over \$40 million, up from \$28 million at the end of the preceding quarter.

The Company's research and development expenses for the first half of fiscal 2004 were \$2.9 million. Total R&D efforts are expected to remain at comparable levels for the remainder of the fiscal year; however, a substantial portion of this effort is expected to be customer-funded.

According to President and CEO Martin Bloch, "Our R&D efforts in recent years have produced great results. With FEI's proprietary technology and new products from these R&D investments we are in a unique position to exploit the great opportunities that are now open to us in commercial communications, the DOD, and space."

### 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 voice, video and data telecommunications delivered by satellite or terrestrial means for both commercial and DOD customers. The Company's technologies provide unique solutions that are essential building blocks for the next generation of broadband wireless and fiber optic communications systems, for critical defense applications and for the ongoing expansion of existing wireless and wireline networks. Additional information is available on FEI's website:

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		Six Months Ended	
	October 31,		October 31,	
	2003	2002	2003	2002
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	(unaudited)		(unaudited)	
	(in thousands except per share data)			
Net Sales	\$10,025	\$8,300	\$18,779	\$15,128
Cost of Sales	6,705	5,679	12,892	10,452
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Gross Margin	3,320	2,621	5,887	4,676
Selling and Administrative	2,778	1,889	5,315	3,942
Research and Development	1,247	689	2,915	1,672
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Operating (Loss) Profit	(705)	43	(2,343)	(938)
Interest and Other, Net	481	291	1,181	581
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(Loss) Income before Taxes & Minority Interest	(224)	334	(1,162)	(357)
Minority Interest	(52)	(12)	(107)	(22)
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(Loss) Income before Income Taxes	(172)	346	(1,055)	(335)
Income Tax Provision (Benefit)	62	95	(78)	(97)
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Net (Loss) Income	\$ (234)	\$ 251	\$ (977)	\$ (238)
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Net (Loss) Income per Share:				
Basic	\$ (0.03)	\$ 0.03	\$ (0.12)	\$ (0.03)
	=====	=====	=====	=====
Diluted	\$ (0.03)	\$ 0.03	\$ (0.12)	\$ (0.03)
	=====	=====	=====	=====
Average Shares Outstanding				
Basic	8,367,003	8,334,053	8,357,568	8,336,310
	=====	=====	=====	=====
Diluted	8,367,003	8,364,409	8,357,568	8,336,310
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Frequency Electronics, Inc. and Subsidiaries  
Consolidated Condensed Balance Sheets

	October 31,	April 30,
	2003	2003
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	(in thousands)	
ASSETS		
Cash & Marketable Securities	\$ 28,815	\$ 33,781

Accounts Receivable	12,357	9,565
Inventories	20,581	17,734
Other Current Assets	6,277	6,856
Property, Plant & Equipment	11,116	11,105
Other Assets	7,468	6,688
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	\$ 86,614	\$ 85,729
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	\$ 7,457	\$ 5,922
Long-term Obligations and Other	17,867	18,098
Stockholders' Equity	61,290	61,709
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	\$ 86,614	\$ 85,729
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SOURCE: Frequency Electronics, Inc.

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