

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period ended January 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 1-8061

FREQUENCY ELECTRONICS, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

11-1986657
(I.R.S. Employer Identification No.)

55 CHARLES LINDBERGH BLVD., MITCHEL FIELD, N.Y. 11553
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 516-794-4500

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of Registrant's Common Stock, par value \$1.00 as of March 9, 2001 - 8,286,660

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Frequency Electronics, Inc. and Subsidiaries

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Frequency Electronics, Inc. and Subsidiaries

Consolidated Condensed Balance Sheets

	January 31, 2001 ---- (UNAUDITED) (In thousands)	April 30, 2000 ---- (NOTE A)
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,951	\$ 4,994
Marketable securities	33,875	36,013
Accounts receivable, net	15,975	9,590
Inventories	21,127	13,307
Deferred income taxes	1,234	1,940
Prepaid and other	1,324	1,329
	-----	-----
Total current assets	77,486	67,173
Property, plant and equipment, net	11,845	9,040
Deferred income taxes	1,459	600
Intangible assets	5,532	-
Other assets	4,576	4,034
	-----	-----
Total assets	\$100,898 =====	\$80,847 =====

See accompanying notes to consolidated condensed financial statements.

Frequency Electronics, Inc. and Subsidiaries
Consolidated Condensed Balance Sheets (Continued)

	January 31, 2001 ----- (UNAUDITED)	April 30, 2000 ----- (NOTE A)
	(In thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Current maturities of long-term debt	\$ 793	-
Accounts payable - trade	3,662	\$ 1,019
Accrued liabilities and other	7,876	3,989
	-----	-----
Total current liabilities	12,331	5,008
Deferred compensation	5,725	5,276
Deposit liability and other	12,523	11,573
	-----	-----
Total liabilities	30,579	21,857
	-----	-----
Minority interest in subsidiary	208	-
Stockholders' equity:		
Preferred stock - \$1.00 par value	-0-	-0-
Common stock - \$1.00 par value	9,164	9,009
Additional paid - in capital	42,913	37,929
Retained earnings	20,321	17,239
	-----	-----
	72,398	64,177
Common stock reacquired and held in treasury -at cost, 877,279 shares at January 31, 2001 and 1,016,552 shares at April 30, 2000	(3,258)	(3,644)
Other stockholders' equity	(126)	(135)
Accumulated other comprehensive income (loss)	1,097	(1,408)
	-----	-----
Total stockholders' equity	70,111	58,990
	-----	-----
Total liabilities and stockholders' equity	\$100,898	\$80,847
	=====	=====

See accompanying notes to consolidated condensed
financial statements.

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

Nine Months Ended January 31,

(Unaudited)

	2001 ----	2000 ----
(In thousands except per share data)		
Net Sales	\$34,905	\$18,617
Cost of sales	20,470	10,400
	-----	-----
Gross margin	14,435	8,217
Selling and administrative expenses	7,145	3,822
Research and development expenses	3,500	3,625
	-----	-----
Operating profit	3,790	770
Other income (expense):		
Investment income	2,423	2,891
Interest expense	(242)	(235)
Other income (expense), net	(39)	(191)
	-----	-----
Earnings before minority interest and provision for income taxes	5,932	3,235
Minority interest in income of consolidated subsidiary	4	-
	-----	-----
Earnings before provision for income taxes	5,928	3,235
Income tax provision	2,018	1,110
	-----	-----
Net earnings	\$ 3,910	\$ 2,125
	=====	=====
Net earnings per common share		
Basic	\$ 0.48	\$ 0.28
	=====	=====
Diluted	\$ 0.46	\$ 0.27
	=====	=====
Average shares outstanding		
Basic	8,167,970	7,583,586
	=====	=====
Diluted	8,464,346	7,950,670
	=====	=====

See accompanying notes to consolidated condensed financial statements.

Frequency Electronics, Inc. and Subsidiaries
Consolidated Condensed Statements of Operations
Three Months Ended January 31,
(Unaudited)

	2001 ----	2000 ----
(In thousands except per share data)		
Net Sales	\$15,193	\$ 7,117
Cost of sales	9,361	3,973
	-----	-----
Gross Margin	5,832	3,144
Selling and administrative expenses	2,967	1,498
Research and development expenses	1,134	1,135
	-----	-----
Operating profit	1,731	511
Other income (expense)		
Investment income	929	1,581
Interest expense	(92)	(74)
Other income (expense), net	(9)	(215)
	-----	-----
Earnings before minority interest and provision for income taxes	2,559	1,803
Minority interest in income of consolidated subsidiary	3	-
	-----	-----
Earnings before provision for income taxes	2,556	1,803
Income tax provision	923	600
	-----	-----
Net earnings	\$ 1,633	\$ 1,203
	=====	=====
Net earnings per common share		
Basic	\$ 0.20	\$ 0.16
	=====	=====
Diluted	\$ 0.19	\$ 0.15
	=====	=====
Average shares outstanding		
Basic	8,285,506	7,543,659
	=====	=====
Diluted	8,554,436	7,945,919
	=====	=====

See accompanying notes to consolidated condensed
financial statements.

Frequency Electronics, Inc. and Subsidiaries
Consolidated Condensed Statements of Cash Flows

Nine months Ended January 31,
(Unaudited)

	2001	2000
	----	----
	(In thousands)	
Cash flows from operating activities:		
Net earnings	\$ 3,910	\$ 2,125
Gain on sale of marketable securities	(456)	(1,273)
Non-cash charges to earnings	2,135	2,192
Net changes in other assets and liabilities	(610)	839
	-----	-----
Net cash provided by operating activities	4,979	3,883
Cash flows from investing activities:		
Payment for acquisition, net of cash acquired	(8,208)	-
Proceeds from sale of marketable securities	7,150	6,717
Purchase of marketable securities	(2,317)	(3,303)
Other - net	(1,027)	(592)
	-----	-----
Net cash (used in) provided by investing activities	(4,402)	2,822
Cash flows from financing activities:		
Payment of cash dividend	(1,627)	(1,532)
Payment of debt	(573)	(529)
Proceeds from stock option exercises	716	382
Other - net	(175)	-
	-----	-----
Net cash used in financing activities	(1,659)	(1,679)
Effect of exchange rate changes on cash and cash equivalents	39	-
	-----	-----
Net (decrease) increase in cash	(1,043)	5,026
Cash at beginning of period	4,994	567
	-----	-----
Cash at end of period	\$ 3,951	\$ 5,593
	=====	=====

See accompanying notes to consolidated condensed
financial statements.

Frequency Electronics, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements
(Unaudited)

NOTE A - CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management of the Company, the accompanying unaudited consolidated condensed interim financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly, in all material respects, the consolidated financial position of the Company as of January 31, 2001 and the results of its operations and cash flows for the nine and three months ended January 31, 2001 and 2000. The April 30, 2000 consolidated condensed balance sheet was derived from audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 2000 Annual Report to Stockholders. The results of operations for such interim periods are not necessarily indicative of the operating results for the full year.

NOTE B - EARNINGS PER SHARE

Reconciliation of the weighted average shares outstanding for basic and diluted Earnings Per Share are as follows:

	Periods ended January 31,			
	Nine months		Three months	
	2001	2000	2001	2000
	-----	-----	-----	-----
Basic EPS Shares outstanding (weighted average)	8,167,970	7,583,586	8,285,506	7,543,659
Effect of Dilutive Securities	296,376	367,084	268,930	402,260
	-----	-----	-----	-----
Diluted EPS Shares outstanding	8,464,346	7,950,670	8,554,436	7,945,919
	=====	=====	=====	=====

Options to purchase 265,000 and 258,375 shares of common stock were outstanding during the nine- and three-month periods ended January 31, 2001 and 2000, respectively, but were not included in the computation of diluted earnings per share. Since the exercise price of these options was greater than the average market price of the Company's common shares during the respective periods, their inclusion in the computation would have been antidilutive. Consequently, these options are excluded from the computation of earnings per share.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable at January 31, 2001 and April 30, 2000 include costs and estimated earnings in excess of billings on uncompleted contracts accounted for on the percentage of completion basis of approximately \$2,499,000 and \$2,584,000, respectively. Such amounts represent revenue recognized on long-term contracts that had not been billed at the balance sheet dates. Such amounts are billed pursuant to contract terms.

NOTE D - INVENTORIES

Inventories, which are reported net of reserves of \$1,180,000 and \$1,188,000 at January 31, 2001 and April 30, 2000, respectively, consist of the following:

	January 31, 2001	April 30, 2000
	-----	-----
	(In thousands)	
Raw materials and Component parts	\$ 8,582	\$ 6,188
Work in progress	12,545	7,119
	-----	-----
	\$21,127	\$13,307
	=====	=====

Frequency Electronics, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements
(Unaudited)

NOTE E - COMPREHENSIVE INCOME

For the nine months ended January 31, 2001 and 2000, total comprehensive income was \$5,524,000 and \$965,000, respectively. For the third quarter of fiscal years 2001 and 2000, comprehensive income was \$1,910,000 and \$1,551,000, respectively.

NOTE F - SEGMENT INFORMATION

The Company operates under three reportable segments:

1. Commercial communications - consists principally of time and frequency control products used in two principal markets- commercial communication satellites and terrestrial cellular telephone or other ground-based telecommunication stations.
2. U.S. Government - consists of time and frequency control products used for national defense or space-related programs.
3. Wireline and network synchronization systems - consists of the business of the Company's Belgian subsidiary, Gillam-FEI.

The table below presents information about reported segments with reconciliation of segment amounts to consolidated amounts as reported in the statement of operations or the balance sheet for each of the periods (in thousands):

	Nine months ended January 31,	
	2001	2000
	----	----
Net sales:		
Commercial Communications	\$27,865	\$15,837
U.S. Government	2,610	2,780
Wireline and Network Synchronization	4,508	0
less intercompany sales	(78)	-
	-----	-----
Consolidated Sales	\$34,905	\$18,617
	=====	=====
Operating profit (loss):		
Commercial Communications	\$ 4,206	\$ 657
U.S. Government	513	689
Wireline and Network Synchronization	186	0
Corporate	(1,115)	(576)
	-----	-----
Consolidated Operating Profit	\$ 3,790	\$ 770
	=====	=====
	January 31, 2001	April 30, 2000
	-----	-----
Identifiable assets:		
Commercial Communications	\$ 23,353	\$18,447
U.S. Government	1,898	4,450
Wireline and Network Synchronization	21,305	0
Corporate	54,342	57,950
	-----	-----
Consolidated Identifiable Assets	\$100,898	\$80,847
	=====	=====

NOTE G - ACQUISITION OF GILLAM S.A.

On September 13, 2000, the Company completed its acquisition of substantially all of the outstanding shares of Gillam S.A. ("Gillam"), a privately-held company organized under the laws of Belgium. Gillam's business is based in the telecommunications market and targeted to four main areas:

Frequency Electronics, Inc. and Subsidiaries

Notes to Consolidated Condensed Financial Statements
(Unaudited)

(i) "Wireline Network Synchronization"--managing timing and interconnectivity for communication networks; (ii) "Remote Control"--consisting of network monitoring systems; (iii) "Rural Telephony"--equipment designed to connect isolated subscribers to a telephone network via satellite and (iv) "Power Supplies" --produced through a subsidiary, for telecom service providers. The acquired company has been renamed Gillam-FEI.

The Gillam acquisition was consummated pursuant to the terms of a Share Purchase Agreement dated as of August 29, 2000. Under terms of the agreement, the Company paid \$8,400,264 in cash and issued 154,681 shares of common stock ("FEI stock") to acquire the outstanding stock of Gillam. Based upon the market value of FEI's stock on July 25, 2002, the Share Purchase Agreement may require the Company to issue to the Gillam shareholders up to 35,000 additional shares of FEI stock. In addition, the Company paid approximately \$487,000 in direct transaction costs. Thus, the total purchase price is approximately as follows:

(in thousands)	
Cash paid for Gillam shares	\$ 8,400
Fair value of restricted shares issued	3,465
Direct transaction costs	487

Total purchase price	\$12,352
	=====

The Gillam acquisition is treated as a purchase. The purchase price is allocated to net assets acquired of approximately \$7,422,000 and to intangible assets, principally goodwill, of approximately \$4,930,000. Goodwill will be amortized on the straightline method over 15 years.

The accompanying condensed consolidated statements of operations for the nine- and three-month periods ended January 31, 2001, include the results of operations of Gillam from September 13, 2000 through December 31, 2000. (Gillam will retain its April 1 to March 31 fiscal year for financial reporting purposes.) The pro forma financial information set forth below is based upon the Company's historical consolidated statements of operations for the nine months ended January 31, 2001 and 2000, adjusted to give effect to the acquisition of Gillam as of the beginning of each of the periods presented.

The pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the acquisition occurred on May 1, 1999, nor does it purport to represent the results of operations for future periods.

	Pro forma	
	Nine months ended January 31 2001	2000
	----	----
(In thousands except per share data)		
Net Sales	\$39,374	\$29,260
	-----	-----
Operating Profit	\$3,505	\$ 1,276
	-----	-----
Income from continuing operations	\$3,510	\$ 2,118
	=====	=====
Earnings per share- basic	\$ 0.43	\$ 0.27
	=====	=====
Earnings per share- diluted	\$ 0.41	\$ 0.26
	=====	=====

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

The table below sets forth the percentage of consolidated net sales represented by certain items in the Company's consolidated statements of operations for the respective nine- and three-month periods of fiscal years 2001 and 2000:

	Nine months		Three months	
	Periods ended		January 31,	
	2001	2000	2001	2000
	----	----	----	----
Net Sales				
Commercial Communications	79.6%	85.1%	67.5%	83.9%
US Government	7.5	14.9	6.7	16.1
Wireline and Network Synchronization	12.9	0.0	25.8	0.0
	-----	-----	-----	-----
	100.0	100.0	100.0	100.0
Cost of Sales	58.6	55.9	61.6	55.8
Selling and administrative expenses	20.5	20.5	19.5	21.1
Research and development expenses	10.0	19.5	7.5	15.9
	-----	-----	-----	-----
Operating profit	10.9	4.1	11.4	7.2
Other income (expense)- net	6.1	13.2	5.4	18.1
	-----	-----	-----	-----
Pretax Income	17.0	17.3	16.8	25.3
Provision for income taxes	5.8	5.9	6.1	8.4
	-----	-----	-----	-----
Net earnings	11.2%	11.4%	10.7%	16.9%
	=====	=====	=====	=====

On September 13, 2000, the Company completed its acquisition of Gillam S.A., since renamed Gillam-FEI. The consolidated financial statements of the Company were impacted by this acquisition by inclusion of the results of operations for Gillam-FEI for the period from September 13, 2000 through December 31, 2000, the end of Gillam-FEI's fiscal third quarter.

For the nine- and three-month periods ended January 31, 2001, the Company's revenues increased by 87% and 113%, respectively, over the same periods of fiscal 2000. Similarly, operating profit increased by \$3.0 million (392%) and \$1.2 million (239%), respectively, and net income improved by \$1.78 million (84%) and \$430,000 (36%), respectively. Excluding Gillam-FEI, revenues for the fiscal 2001 periods increased by 63% and 59%, respectively, over the same periods of fiscal 2000 and net income increased by 82% and 33%, respectively.

These outstanding results derive from continued growth in demand for the Company's leading edge technology products, which include timing, frequency and synchronization applications for wireless, wireline and optical networks, along with ongoing space and defense projects. The Company expects demand for such products to continue to grow. Consequently, the Company will experience continued growth in revenue and profitability. The rate of such growth is dependent on the specific requirements of the Company's customers which may vary over time.

Gross margins for the nine- and three-month periods of fiscal 2001 were 41% and 38%, respectively, compared to 44% for each of the same periods ended January 31, 2000. Cost of sales in fiscal 2001 includes the writedown of a portion of the "step-up" value of acquired inventory resulting from the acquisition of Gillam-FEI. This reduced gross margin by \$142,000 in both fiscal 2001 periods. Margins on commercial revenues, including Gillam-FEI, were 42% for the nine-month period and 38% for the three-month period ended January 31, 2001 while gross margins on US Government revenues were 38% in each of the periods.

Frequency Electronics, Inc. and Subsidiaries
(Continued)

The reduced gross margin rates in the fiscal 2001 periods are attributable to product mix, including the impact of revenues from the Company's European subsidiaries where the cost structure is typically greater than in the United States. In addition, during the fiscal 2001 periods, the Company has been engaged in two significant development efforts which are customer-funded. The costs of these efforts, which approximate the revenue recognized on the contracts, are a component of cost of sales. If these development contracts are excluded, aggregate gross margins for each of the fiscal 2001 periods would exceed 40%. The Company targets its overall gross margin rate to exceed 40% of consolidated sales but the actual rate realized from quarter to quarter will vary, as illustrated above.

Selling and administrative costs for the nine- and three-month periods ended January 31, 2001, increased by \$3.32 million (87%) and \$1.47 million (98%) compared to the same periods of fiscal year 2000. Excluding expenses incurred by Gillam-FEI, including amortization of goodwill of approximately \$100,000, the increases would be 66% and 52%, respectively. Of the increase, approximately \$219,000 is attributable to settlement of certain litigation (see Part II, Item 1- Legal Proceedings) and related legal costs of \$432,000 incurred during the nine-month period. Excluding these litigation-related costs, selling and administrative expense as a percentage of sales would be less than 20% for the nine-month period ended January 31, 2001, which is within the Company's target for these costs. However, the absolute dollar spending for selling and administrative expenses is expected to increase as the Company continues to grow. Examples of this growth include the cost of additional support personnel, greater sales and marketing expenditures, including commissions to sales representatives, and increases for management incentive compensation programs based on increased profitability. In addition, amortization of certain non-employee stock options was approximately \$230,000 greater in the nine-month period ended January 31, 2001 than that recorded in the comparable period of the prior year as a result of the rising value of the Company's common stock.

Research and development costs in the nine-month period ended January 31, 2001 decreased by \$125,000 (3%) compared to the same period of fiscal 2000. For the three-months ended January 31, 2001 and 2000, development spending was essentially the same in each period. Development spending by Gillam-FEI was not significant for the fiscal 2001 periods. The apparent slowing of research and development spending is not indicative of a decrease in the Company's development efforts. As indicated above, some of the Company's development spending during fiscal 2001 was customer-funded, thus decreasing self-funded research and development expenditures but increasing cost of sales. The Company continues to devote significant resources to develop new products and enhance existing products for the commercial communications market. The products in development will be used to increase the capability of existing TDMA and GSM systems (2.5G and EDGE) and to support the development of third generation (3G) wireless networks. The Company is supplying these products for beta-site field-testing of 2.5G and 3G systems. In response to the large domestic demand and growing need for highly sophisticated wireline synchronization units, the Company is accelerating its development effort to configure Gillam-FEI's wireline synchronization units to U.S. standards for introduction into domestic networks. In addition, during the second quarter of fiscal 2001, the Company delivered the first R/T (receive/transmit) modules that utilize the Company's proprietary microwave technology to increase the throughput of fiber optic networks. The Company anticipates that research and development spending will continue at approximately the same level for the remainder of fiscal 2001, targeting aggregate spending at approximately 10% of revenues. Internally generated cash and cash reserves will be adequate to fund this development effort.

Net nonoperating income and expense decreased by \$323,000 (13%) and \$464,000 (36%) in the nine- and three-month periods ended January 31, 2001 from the comparable fiscal 2000 periods. Investment income decreased by \$468,000 (16%) and \$652,000 (41%), respectively, in the fiscal year 2001 periods over the comparable 2000 periods. This is principally the result of lower net realized gains on the sale of certain marketable securities during the third quarter of

Frequency Electronics, Inc. and Subsidiaries
(Continued)

fiscal 2001 versus gains realized in fiscal 2000. Interest expense, including Gillam-FEI, was approximately the same in both the fiscal 2001 and 2000 periods. Other income (expense), net, which consists principally of certain non-recurring transactions, was a net expense of \$39,000 and \$9,000 for the nine- and three-month periods of fiscal 2001 versus expense of \$191,000 and \$215,000 in the same periods of fiscal 2000. The fiscal 2000 periods included professional fees incurred in connection with the acquisition and subsequent sale of certain marketable securities and \$90,000 in settlement of prior year property taxes related to the Company's former real estate holdings. The net amount of these items is generally nominal.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet continues to reflect a strong working capital position of \$65 million at January 31, 2001 compared to working capital at April 30, 2000, of \$62 million. Included in working capital at January 31, 2001 is approximately \$38 million of cash, cash equivalents and marketable securities, including \$12 million of REIT units which are convertible to Reckson Associates Realty Corp. common stock.

Net cash provided by operating activities for the nine months ended January 31, 2001, was \$5.0 million compared to a net cash inflow of \$3.9 million in the comparable fiscal 2000 period. The increase in cash flow in fiscal 2001 is primarily due to the \$1.8 million improvement in earnings plus growth in accrued liabilities and accounts payable offset by a \$2.5 million increase in inventory. Due to long lead time requirements for certain component parts and work in process inventory, the Company has built up its inventory levels in order to meet the increased demand for its products. The Company anticipates that it will continue to generate positive cash flow from operating activities for the balance of fiscal year 2001 and into the following fiscal year.

Net cash used in investing activities for the nine months ended January 31, 2001, was \$4.4 million. The major transaction during the nine-month period was the acquisition of the shares of Gillam S.A. for which the Company paid an aggregate of \$8.9 million, including transaction costs. This purchase was partially funded by the redemption of certain marketable securities of approximately \$6.2 million and was also offset by the acquired cash of Gillam-FEI of approximately \$758,000. The Company also acquired and sold other marketable securities that resulted in a net application of cash of \$1.4 million. The Company may continue to acquire or redeem marketable securities as dictated by its investment opportunities as well as by the cash requirements for its development activities. In addition, the Company acquired capital equipment for approximately \$1.03 million. The Company will continue to acquire more efficient equipment to automate its test and production processes and to expand its production capabilities. The Company intends to spend approximately \$1.5 million on capital equipment during fiscal 2001 and is targeting to spend an additional \$1.5 million in fiscal 2002. Internally generated cash will be adequate to acquire this capital equipment.

Net cash used in financing activities for the nine months ended January 31, 2001, was \$1.66 million which is comparable to the amount used in the same period of fiscal 2000. Included in the fiscal 2001 amount is payment of the Company's semi-annual dividend in the aggregate amount of \$1.63 million. An additional \$748,000 was used to make regularly scheduled long-term liability payments, including \$573,000 paid by Gillam-FEI. These outflows were partially offset by receipts of \$716,000 from certain employees and independent contractors in connection with stock option exercises.

Backlog

At January 31, 2001, the Company's backlog amounted to approximately \$48 million compared to the approximately \$24 million backlog at April 30, 2000. Of this backlog, approximately \$9 million is attributable to Gillam-FEI. The Company expects to realize more than 90% of this backlog in the next 12 months.

Frequency Electronics, Inc. and Subsidiaries
(Continued)

Foreign Currency Exchange Exposure

Included in the Company's balance sheet and statement of cash flows are adjustments for foreign currency fluctuations. During the nine-month period ended January 31, 2001, such fluctuations added \$39,000 of cash to the Company's reported balance sheet. In the equity section of the balance sheet, included in accumulated other comprehensive income is a foreign currency translation gain of \$1,162,000. As indicated by the recent volatility experienced in rates of exchange between the US dollar and the Euro, future currency adjustments could be substantial. The Company has not entered into any hedging transactions relative to foreign exchange issues but may do so in the future.

"Safe Harbor" Statement under the Private Securities Litigation
Reform Act of 1995:

The statements in this quarterly report on Form 10Q regarding future earnings and operations and other statements relating to 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, 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 report.

PART II

ITEM 1 - Legal Proceedings

On August 2, 2000, a Stipulation of Settlement was executed by all parties and filed with the Court in the action pending against FEI and others in the Court of Chancery, State of Delaware, New Castle county, entitled In re Frequency Electronics, Inc., Derivative Litigation, Civil Action No. 13266: the proposed settlement called for a total payment by FEI for legal fees and disbursements not exceeding \$245,000; the proposed settlement was subject to notice to stockholders and Court approval. On October 4, 2000, the Court issued an Order and Final Judgment of Dismissal of Derivative Action and awarded attorneys' fees and expenses in the amount of \$218,684. FEI paid such fees and expenses in October 2000.

ITEM 6 - Exhibits and Reports on Form 8-K

- (a) Exhibits - None
- (b) On March 14, 2001, Registrant's report on Form 8-K, containing disclosure under Item 5 thereof (declaration of semi-annual dividend), was filed with the Securities and Exchange Commission.
- (c) On November 27, 2000, Registrant filed with the SEC an amendment to Form 8-K containing disclosures under Item 2- Acquisition or Disposition of Assets and Item 7- Financial Statements and Exhibits, reporting the audited financial statements of Gillam S.A. for the year ended March 31, 2000 and the pro forma financial statements of the Registrant for the year ended April 30, 2000.
- (d) On November 1, 2000, the Company's report on Form 8-K, containing disclosure under Item 5 thereof (litigation settlement), was filed with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FREQUENCY ELECTRONICS, INC.
(Registrant)

Date: March 19, 2001

BY /s/ Joseph P. Franklin

Joseph P. Franklin
Chairman of the Board

Date: March 19, 2001

BY /s/ Alan Miller

Alan Miller
Chief Financial Officer
and Treasurer

5

1000

9-mos

APR-30-2001
MAY-01-2000
JAN-31-2001
3951

33875

16165

190

21127

77486

31821

19976

100898

12331

318

0

0

9164

60947

100898

34905

37328

20470

31115

39

0

242

5928

2018

3910

0

0

0

3910

.48

.46