FREQUENCY ELECTRONICS INC Form 10-Q

December 17, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

X QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended October 31, 2007

OR

o 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

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

11553

55 CHARLES LINDBERGH BLVD., MITCHEL FIELD,

incorporation or organization)

, MITCHEL FIELD,

N.Y.

(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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x	
	APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of Registrant's Common Stock, par value \$1.00 as of December 10, 2007 - 8,703,219

FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Balance Sheets

October 31,	April 30,
2007	2007
(UNAUDITED)	(AUDITED)
	(NOTE A)

(In thousands except share data)

ASSETS:

Cash and cash equivalents \$ 7,666 \$ 1,336 Marketable securities 13,193 14,268 Accounts receivable, net of allowance for doubtful accounts of \$169 at 17,003 15,626 October 31 and \$276 at April 30, 2007 17,003 15,626 Inventories 3,155 3,075 Income taxes 3,155 3,075 Income taxes receivable - 596 Prepaid expenses and other 1,461 1,501 Total current assets 74,321 67,603 Property, plant and equipment, at cost, 1,849 7,839 Less accumulated depreciation and amortization 8,409 7,839 Deferred income taxes 2,923 2,945 Goodwill and other intangible assets, net 429 453 Cash surrender value of life insurance 7,055 6,815 Investments in and loans receivable from affiliates 4,489 7,354 Other assets 817 817 Total assets 8,510 \$,717 Accounts payable - trade 1,978 3,771 Ac	Current assets:		
Accounts receivable, net of allowance for doubtful accounts of \$169 at	Cash and cash equivalents	\$ 7,666	\$ 1,336
Accounts receivable, net of allowance for doubtful accounts of \$169 at	Marketable securities	13,193	14,268
October 31 and \$276 at April 30, 2007 17,003 15,626 Inventories 31,843 31,201 Deferred income taxes 3,155 3,075 Income taxes receivable - 596 Prepaid expenses and other 1,461 1,501 Total current assets 74,321 67,603 Property, plant and equipment, at cost, 2 2 less accumulated depreciation and amortization 8,409 7,839 Deferred income taxes 2,923 2,945 Goodwill and other intangible assets, net 429 453 Cash surrender value of life insurance 7,055 6,815 Investments in and loans receivable from affiliates 4,489 7,354 Other assets 8,17 817 Total assets 8,840 8,386 Unrent liabilities: 8,851 \$,851 Short-term credit obligations 8,851 \$,501 Accounts payable - trade 1,978 3,771 Accounts payable - trade 3,887 3,980 Invidend payable 8,753	Accounts receivable, net of allowance for doubtful accounts of \$169 at		
Deferred income taxes 3,155 3,075 Income taxes receivable - 596 Prepaid expenses and other 1,461 1,501 Total current assets 74,321 67,603 Property, plant and equipment, at cost, less accumulated depreciation and amortization 8,409 7,839 Deferred income taxes 2,923 2,945 Goodwill and other intangible assets, net 429 453 Cash surrender value of life insurance 7,055 6,815 Investments in and loans receivable from affiliates 4,489 7,354 Other assets 817 817 Total assets 817 817 Total assets 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accounts payable - trade 1,978 3,771 Accrued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable - trade 5,458 13,631 Deferred compensation 8,753 8,669 Total current liabilities	October 31 and \$276 at April 30, 2007	17,003	15,626
Income taxes receivable	Inventories	31,843	31,201
Prepaid expenses and other 1,461 1,501 Total current assets 74,321 67,603 Property, plant and equipment, at cost, less accumulated depreciation and amortization 8,409 7,839 amortization 8,409 7,839 Deferred income taxes 2,923 2,945 Goodwill and other intangible assets, net 429 453 Cash surrender value of life insurance 7,055 6,815 Investments in and loans receivable from affiliates 4,489 7,354 Other assets 817 817 Total assets 8,843 39,826 LIABILITIES AND STOCKHOLDERS' EQUITY: Current liabilities 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accounts payable - trade 1,978 3,780 Income taxes payable 213 - Dividend payable 80 86 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,699 Total liabilities 24,788	Deferred income taxes	3,155	3,075
Total current assets 74,321 67,603 Property, plant and equipment, at cost, less accumulated depreciation and amortization 8,409 7,839 Deferred income taxes 2,923 2,945 Goodwill and other intangible assets, net 429 453 Cash surrender value of life insurance 7,055 6,815 Investments in and loans receivable from affiliates 4,489 7,354 Other assets 817 817 Total assets 98,443 93,826 LIABILITIES AND STOCKHOLDERS' EQUITY: Current liabilities: Short-term credit obligations \$ 8,510 \$ 5,011 Accorued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred gain and other liabilities 577 642 Total liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: - -	Income taxes receivable	-	596
Property, plant and equipment, at cost, less accumulated depreciation and amortization 8,409 7,839 2,945 2,923 2,945 2,925 2,923 2,945 2,925 2,9	Prepaid expenses and other	1,461	1,501
Resi accumulated depreciation and amortization 8,409 7,839 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,923 2,945 2,925 2,9	Total current assets	74,321	67,603
amortization 8,409 7,839 Deferred income taxes 2,923 2,945 Goodwill and other intangible assets, net 429 453 Cash surrender value of life insurance 7,055 6,815 Investments in and loans receivable from affiliates 4,489 7,354 Other assets 817 817 Total assets 98,443 \$ 93,826 LIABILITIES AND STOCKHOLDERS' EQUITY: Current liabilities Short-term credit obligations 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accounts payable - trade 1,978 3,791 Account payable of trade 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: - - Preferred stock - \$1.00 par value	Property, plant and equipment, at cost,		
Deferred income taxes 2,923 2,945 Goodwill and other intangible assets, net 429 453 Cash surrender value of life insurance 7,055 6,815 Investments in and loans receivable from affiliates 4,489 7,354 Other assets 817 817 Total assets 98,443 \$ 93,826 LIABILITIES AND STOCKHOLDERS' EQUITY: Current liabilities Short-term credit obligations 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accounts payable - trade 1,978 3,780 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: - - Preferred stock - \$1,00 par value - - Common stock - \$1,00 par value <t< td=""><td>less accumulated depreciation and</td><td></td><td></td></t<>	less accumulated depreciation and		
Goodwill and other intangible assets, net 429 453 Cash surrender value of life insurance 7,055 6,815 Investments in and loans receivable from affiliates 4,489 7,354 Other assets 817 817 Total assets \$98,443 \$93,826 LIABILITIES AND STOCKHOLDERS' EQUITY: Current liabilities: Short-term credit obligations \$8,510 \$5,011 Accounts payable - trade 1,978 3,771 Accrued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670	amortization	8,409	7,839
Cash surrender value of life insurance 7,055 6,815 Investments in and loans receivable from affiliates 4,489 7,354 Other assets 817 817 Total assets 98,443 93,826 LIABILITIES AND STOCKHOLDERS' EQUITY: Current liabilities Short-term credit obligations \$ 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accrued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 </td <td>Deferred income taxes</td> <td>2,923</td> <td>2,945</td>	Deferred income taxes	2,923	2,945
Investments in and loans receivable from affiliates 4,489 7,354 Other assets 817 817 Total assets 98,443 93,826 LIABILITIES AND STOCKHOLDERS' EQUITY: Current liabilities: Short-term credit obligations \$ 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accrued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 13,541 13,541 13,541 13,541 Common stock reacquired and held in tre	Goodwill and other intangible assets, net	429	453
Other assets 817 817 Total assets 98,443 93,826 LIABILITIES AND STOCKHOLDERS' EQUITY: Current liabilities: Short-term credit obligations \$ 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accrued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 71,295 69,843 Common stock reacquired and held in treasury - at cost, 460,721 shares at October 31, 2007	Cash surrender value of life insurance	7,055	6,815
Total assets \$ 98,443 \$ 93,826 LIABILITIES AND STOCKHOLDERS' EQUITY: Current liabilities: \$ \$ 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accrued liabilities and other 3,887 3,980 Income taxes payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 5,77 642 Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - - Pommon stock - \$1.00 par value 9,164 9,164 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 71,295 69,843	Investments in and loans receivable from affiliates	4,489	7,354
LIABILITIES AND STOCKHOLDERS' EQUITY: Current liabilities: 5,011 Short-term credit obligations \$ 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accrued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: 24,788 22,942 Stockholders' equity: - - Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007	Other assets	817	
Current liabilities: \$ 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accrued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007 69,843	Total assets	\$ 98,443	\$ 93,826
Current liabilities: \$ 8,510 \$ 5,011 Accounts payable - trade 1,978 3,771 Accrued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007 69,843			
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Accounts payable - trade 1,978 3,771 Accrued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: - - Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 71,295 69,843 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007			
Accrued liabilities and other 3,887 3,980 Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: - - Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007 69,843	· · · · · · · · · · · · · · · · · · ·	\$	\$ •
Income taxes payable 213 - Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: - - Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 Common stock reacquired and held in treasury - - -at cost, 460,721 shares at October 31, 2007 - -			
Dividend payable 870 869 Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 Common stock reacquired and held in treasury 71,295 69,843 Common stock reacquired and held in treasury - - - -at cost, 460,721 shares at October 31, 2007 - - -			3,980
Total current liabilities 15,458 13,631 Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 71,295 69,843 Common stock reacquired and held in treasury - - -at cost, 460,721 shares at October 31, 2007			-
Deferred compensation 8,753 8,669 Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 Common stock reacquired and held in treasury 71,295 69,843 Common stock reacquired and held in treasury - - - -at cost, 460,721 shares at October 31, 2007 - - -	* *		
Deferred gain and other liabilities 577 642 Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 71,295 69,843 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007			
Total liabilities 24,788 22,942 Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 71,295 69,843 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007	•	· ·	
Stockholders' equity: Preferred stock - \$1.00 par value - - Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 Common stock reacquired and held in treasury 71,295 69,843 Cost, 460,721 shares at October 31, 2007			
Preferred stock - \$1.00 par value Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 71,295 69,843 Common stock reacquired and held in treasury - at cost, 460,721 shares at October 31, 2007		24,788	22,942
Common stock - \$1.00 par value 9,164 9,164 Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 71,295 69,843 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007			
Additional paid-in capital 47,670 47,138 Retained earnings 14,461 13,541 71,295 69,843 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007	•	-	-
Retained earnings 14,461 13,541 71,295 69,843 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007	*	,	,
71,295 69,843 Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007	•	· ·	
Common stock reacquired and held in treasury -at cost, 460,721 shares at October 31, 2007	Retained earnings		
-at cost, 460,721 shares at October 31, 2007		71,295	69,843
	•		
and 474,693 shares at April 30, 2007 (2,203)			
	and 4/4,693 shares at April 30, 2007	(2,203)	(2,080)

Accumulated other comprehensive income	4,563	3,121
Total stockholders' equity	73,655	70,884
Total liabilities and stockholders' equity	\$ 98,443	\$ 93,826

See accompanying notes to condensed consolidated financial statements.

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Statements of Operations

Six Months Ended October 31, (Unaudited)

2007

2006

	(In	(In thousands except per share data)		
Net sales	\$	33,051	\$	28,634
Cost of sales		23,110		18,441
Gross margin		9,941		10,193
Selling and administrative expenses		6,371		5,455
Research and development expense		3,986		4,028
Operating (loss) profit		(416)		710
Other income (expense):				
Investment income		3,763		579
Equity (loss) income		(145)		274
Interest expense		(291)		(57)
Other income, net		82		100
Income before provision for income taxes		2,993		1,606
Provision for income taxes		1,204		521
Net income	\$	1,789	\$	1,085
Net income per common share				
Basic	\$	0.21	\$	0.13
Diluted	\$	0.20	\$	0.12
Weighted average shares outstanding				
Basic		8,697,080		8,584,409
Diluted		8,783,792		8,732,393

See accompanying notes to consolidated condensed financial statements.

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Statements of Operations

Three Months Ended October 31, (Unaudited)

	,	2007		2006	
	(In t	(In thousands except per share data)			
Net sales	\$	17,494	\$	14,320	
Cost of sales		12,024		8,980	
Gross margin		5,470		5,340	
Selling and administrative expenses		3,285		2,674	
Research and development expense		1,809		2,647	
Operating profit		376		19	
Other income (expense):					
Investment income		520		280	
Equity (loss) income		(65)		71	
Interest expense		(160)		(21)	
Other income, net		82		19	
Income before provision for income taxes		753		368	
Provision for income taxes		344		181	
Net income	\$	409	\$	187	
Net income per common share					
Basic	\$	0.05	\$	0.02	
Diluted	\$	0.05	\$	0.02	
Weighted average shares outstanding					
Basic		8,699,133		8,592,113	
Diluted		8,783,992		8,744,852	

See accompanying notes to condensed consolidated financial statements.

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FREQUENCY ELECTRONICS, INC. and SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

Six Months Ended October 31, (Unaudited)

	2007		2006	
	(In thousa		ands)	
Cash flows from operating activities:				
Net income	\$	1,789 \$	1,085	
Non-cash (income) charges to earnings, net		(821)	1,785	
Net changes in operating assets and liabilities		(3,553)	(2,163)	
Net cash (used in) provided by operating activities		(2,585)	707	
Cash flows from investing activities:				
Proceeds from sale of marketable securities				
and investments		7,161	4,104	
Purchase of marketable securities		(174)	(935)	
Purchase of fixed assets		(1,297)	(1,013)	
Other - net		_	45	
Net cash provided by investing activities		5,690	2,201	
Cash flows from financing activities:				
Proceeds from short-term credit obligations		3,500	-	
Payment of cash dividend		(869)	(857)	
Proceeds from stock option exercises		81	62	
Purchase of stock for treasury		(233)	-	
Net cash provided by (used in) financing activities		2,479	(795)	
Net increase in cash and cash equivalents				
before effect of exchange rate changes		5,584	2,113	
Effect of exchange rate changes				
on cash and cash equivalents		746	42	
Not in agrees in each and each equivalents		6 220	2.155	
Net increase in cash and cash equivalents		6,330	2,155	
Cash and cash equivalents at beginning of period		1,336	2,639	
Cash and cash equivalents at end of period	\$	7,666 \$	4,794	

See accompanying notes to condensed consolidated financial statements.