COMTECH TELECOMMUNICATIONS CORP.

Annual Report 1988

About the Company

Comtech Telecommunications Corp., a Delaware corporation, was established in 1967 as Comtech Laboratories, Inc. The Company is engaged in the design, development, manufacture and installation, for commercial and government applications, of high technology communications and laboratory related equipment. Its products are chiefly used in connection with satellite, tropospheric scatter and terrestrial line-of-sight communications systems. The Company's products also have applications in electronic warfare, radar and command, control and communications systems. The Company sells its products directly to end users, as well as to subcontractors and prime contractors which incorporate such products in a full system installation, and also uses the Company's products, along with products of others, to sell and install entire communications systems on a turnkey basis.

The Company's operating units are Comtech Systems, Inc., Comtech Microwave Corp. and Power Systems Technology, Inc.

Since its inception, the Company's products, subsystems and systems have been supplied to free-world customers for installation throughout the globe. Whether manufactured and delivered twenty years ago or two years ago, the communications community has been served and will continue to be served, now, and in the future by Comtech.

To Our Shareholders and Employees:

During this past year Comtech moved closer to its goal of being a strong, effective communications and systems supplier — and ended fiscal 1988 some distance from where it found itself three years earlier.

- Comtech achieved profits of $577,000 from continuing operations in fiscal 1988, coming from a $1.5 million loss from continuing operations in fiscal 1985.
- Comtech reduced its long term debt to $908,000 at July 31, 1988 from over $10 million 3 years earlier.
- Comtech increased its shareholders' equity to more than $2 million at July 31, 1988 from a negative net worth of $5.3 million at July 31, 1985.
- Comtech has now obtained a bank line of $2 million.
- Comtech now has its common shares again quoted on the NASDAQ system.

As you know, these last few years represented difficult times for your Company and presented tough choices. But we believe the right choices were in fact made — and as a result, solid progress has in fact been made.

We are continuing to focus on our two ongoing businesses, Comtech Systems and Comtech Microwave, and have added a new entry into the marketplace — Power Systems Technology.

Power Systems Technology, Inc. (PST)

Earlier this year, we formed Power Systems Technology, Inc. to meet the needs of the U.S. Government Electronic Warfare Equipment and Systems (EW), Radar and Command, Control, Communications and Intelligence (C^3I) communities for state-of-the-art high power solid state amplifiers.

While our strategic plan recognizes that this new company, as it builds its operations, will incur start-up costs which are likely to impact earnings until the second half of fiscal 1989, we have high expectations. Our commitment to this new enterprise is strong and we are encouraged by PST's having already booked $1 million of orders and having made its first shipments as early as the third quarter of fiscal 1988.

We believe PST has made a solid entry into the EW, Radar and C^3I segments of the defense market, having developed a broad range of solid state high power amplifiers over frequency bands from 1 to 2000 MHz at power levels from 2 to 1000 watts. We are pleased to report that a 200 watt Class AB solid state power amplifier in the frequency range from 1[illegible]00 to 1800 MHz was the subject of a Product Feature Article in a leading microwave industry publication.

Comtech Systems, Inc. (CSI)

CSI is engaged in the design, manufacture and installation of systems, antennas and communications equipment for defense and commercial troposcatter and satellite applications.

The Antenna Division of CSI has continued to expand its product lines and customer base, and this resulted in record sales, bookings and profits for fiscal 1988. CSI delivered over 800 antenna systems, an achievement of which we are very proud.

The Systems Division of CSI has also continued to expand its product lines, customer base, and its presence in the marketplace and was able to report record sales and profits last year.

A computerized performance monitor system for our troposcatter radio terminals was also developed. The system monitors signal path, equipment performance and fault alarm systems in addition to providing frequency planning capabilities. The resulting information is combined into a variety of status reports for review by network managers.

The most significant disappointment has been the continued delays in the award of several major projects we are pursuing. We confidently expect that, in time, we will be able to convert some of these into orders. However, many of the programs being pursued by Systems are highly-competitive multi-year foreign procurements and, as such are subject to significant uncertainty as to contract award date, award recipient, and ultimate project size. However, we do not believe that the backlog will continue to be depressed to the same extent as in fiscal 1988.

During the past few years, we have seen the microwave troposcatter communications market move from a virtual standstill to a multi-million dollar market. We continue to experience strong demand for troposcatter communication systems and equipment for use in major markets in the Middle-East, Africa, Asia and South America. These systems provide a relatively high level of security for defense applications.

Comtech Microwave Corp. (CMC)

CMC, which supplies a broad range of sophisticated receiving and transmitting equipment to the U.S. Government and prime contractors, continues to struggle in the marketplace. This business has been and will continue to be the subject of analysis and evaluation by management. We believe the market and the core elements of the business remain solid, and we will be dedicating efforts toward increasing sales and improving efficiencies.

The disappointment for the past twelve months has been our inability to improve our technology base by not being able to attract the human resources to enable CMC to develop new products, bid on new programs, and to effectively compete in a very tight and competitive defense communications market. Management will be analyzing the need to add selected disciplines to strengthen the technological base with emphasis on satellite and microwave products.

This year, among other things, CMC obtained an order from the U.S. Army CECOM for an additional quantity of 200 Analog Simple Data Interface (ASDI) units which provide a passive interface for voice or data communication over switched analog telephone wires and trunks.

Last year, CMC also received a one year cost-plus-fixed-fee order for $650,000 from the U.S. Army CECOM for refurbishment of Comtech proprietary products within the Government inventory. These include frequency up and down converter subsystems, solid state high power amplifiers and low noise parametric amplifier systems. This contract is currently being renegotiated for an additional three year period.

Fiscal 1988 Financial Results

As you know, for the twelve months ended July 31, 1988, Comtech reported net income of $2,296,000, or $.40 per share as compared to net income of $3,877,000 or $.79 per share, for the prior year. Income from continuing operations for fiscal 1988 was $577,000, or $.10 per share, as compared to $346,000, or $.07 per share, for the prior year. Sales from continuing operations were $15,770,000, compared to $13,533,000 for fiscal 1987.

Results for fiscal 1988 reflect, among other things, an extraordinary credit of $1,719,000 resulting from the gain on the elimination of $10,000,000 principal amount of Subordinated Notes for cash and stock. The 1987 results included income from the operations of a business sold, including gain on disposal, of $3,531,000; and income from continuing operations for that year benefited from the net reversal of approximately $1,000,000 of reserves no longer considered necessary. Operating income (before interest and non-operating items) from continuing operations was $761,000 in 1988 as compared to $362,000 in 1987. The 1987 results have been restated to reflect the adoption of FASB 96 — Accounting for Income Taxes.

Shareholders' equity at July 31, 1988 was $2,008,000 compared to a deficiency of $1,394,000 July 31, 1987. Weighted average number of common and common equivalent shares outstanding at July 31, 1988 was 5,746,725 as compared to 4,892,779 a year before. Backlog at July 31, 1988 was $10,000,000 as compared to $18,202,000 a year before. As mentioned earlier, the lower level of backlog, we believe, principally reflects the continued delays in the timing of several major projects we are pursuing and the existence of much longer lead time patterns in reaching the contract stage with foreign customers.

Outlook

Basically, we are continuing along the lines chartered earlier, and in doing so have reinforced our ability to compete and produce. Emphasis has been and will continue to be placed on maintaining pace in communications technology, on enhancing our production capabilities and on broadening the scope of our overall business activity within the areas of our expertise.

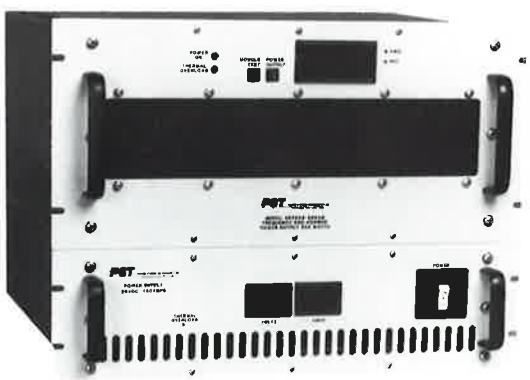
We have been focusing on the growth expected in satellite and troposcatter communications during this decade and hope to benefit from our technological position — particularly in troposcatter.

We see opportunities for the telecommunications industry and challenges for Comtech within the markets we serve. We see ongoing open-ended opportunities in both the commercial and defense markets and expect to continue to supply both these areas.

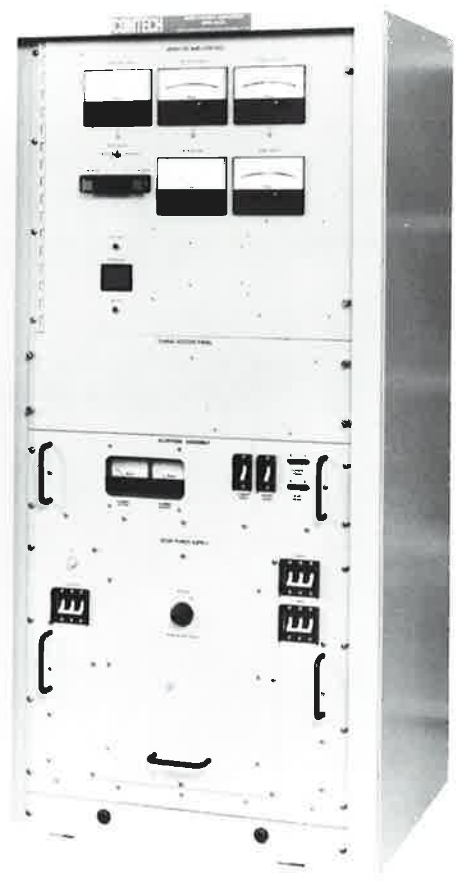
This year will once again test Comtech, and while we still face real challenges, we expect to confront and deal with them to the best of our abilities. We thank you for your commitment to our Company and look forward to your continued confidence.

Fred Kornberg
Chairman and President

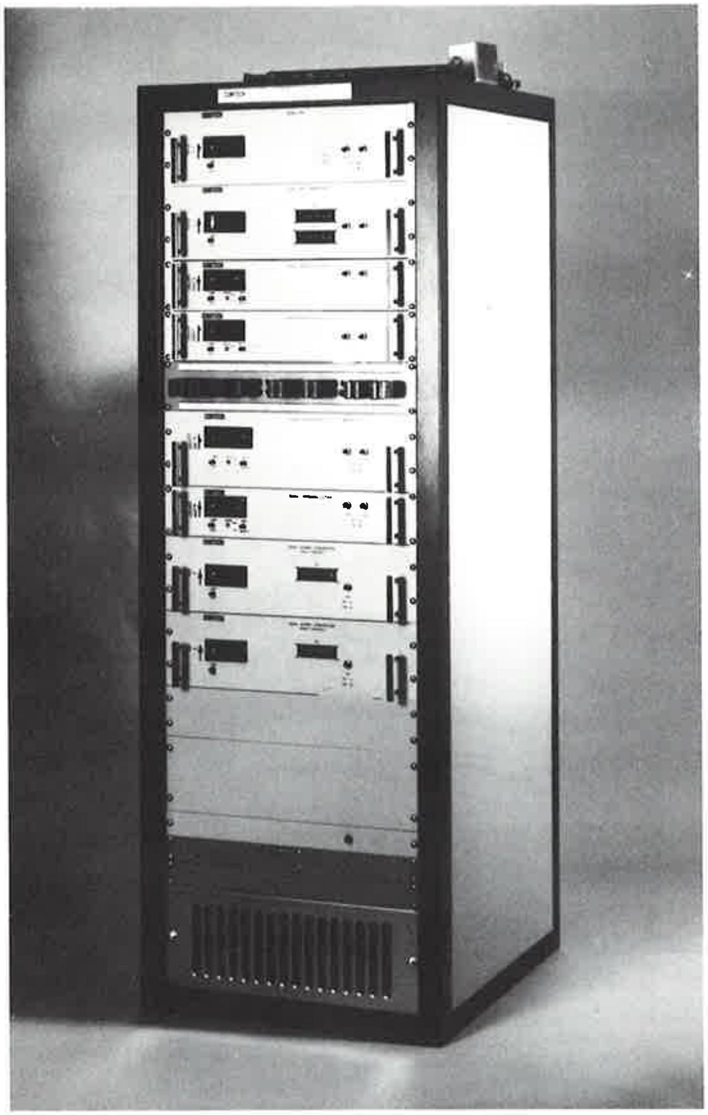
September 28, 1988



PST during the past year received orders, among others, for three 200 watt, 1400-1550 MHz amplifiers from SURA/CEBAF for use in the Continuous Electron Beam Accelerator facility in Newport News, Virginia; for a 100 watt, 150-1000 MHz amplifier system from Scientific Atlanta for a radar cross section instrumentation system; for a 2 watt, 100-500 MHz amplifier system from the Washington Metropolitan Area Transit Authority for an underground communication system; and for a number of 500 watt and 1000 watt amplifier systems in the 100-1000 MHz frequency range for use in various radio frequency test and evaluation systems.

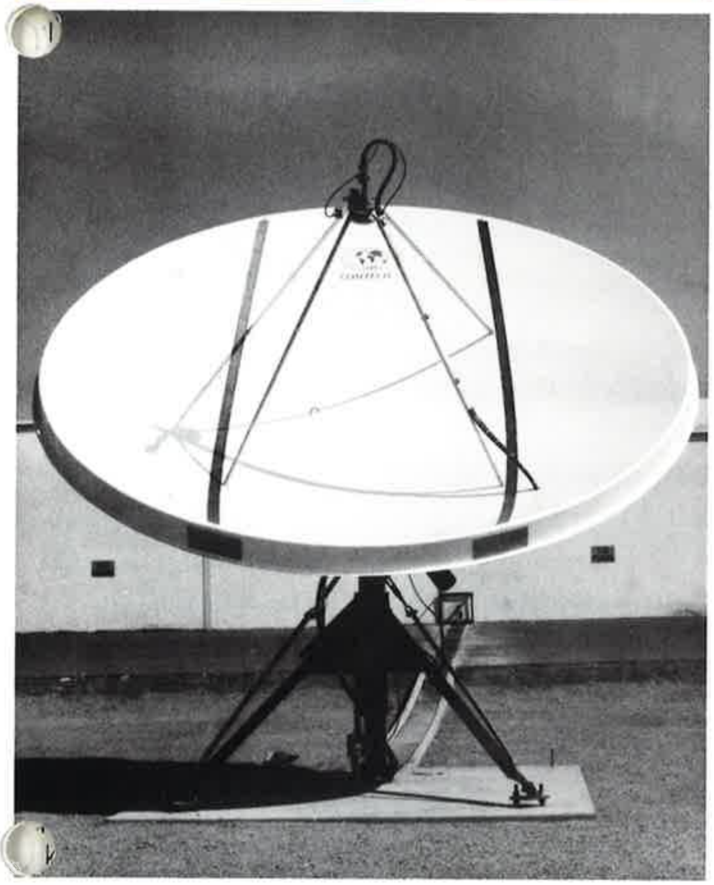


CMC delivered 1 KW High Power Amplifiers in the 1.7 to 2.4 GHz frequency band for use in a China Seas Troposcatter Communications System and developed 1 KW High Power Amplifiers in the 4.4 to 5.0 GHz frequency band for use in a major international digital troposcatter communications network supplied by Comtech Systems, Inc.



CSI delivered a 1 KW Quadruple Diversity Troposcatter Analog System to monitor oil production for a major company in Southeast Asia connecting offshore oil platforms in the South China Sea to shore stations on mainland Malaysia.

CSI has developed for tactical applications, an eight-foot, highly-compact antenna to provide a means for rapid deployment of troposcatter, line-of-sight or satellite communication systems. The antenna has interchangable feeds to enable operation in the 4.4 to 5.0 GHz or 7.2 to 8.4 GHz frequency bands. Packed for shipment in a 5 ft. by 5 ft. by 2 ft. container, the antenna can be assembled by one person in less than 15 minutes.



Two of the Antenna Division's Transportable "OffSAT" Antenna Systems were used for the American Broadcasting Company's network television coverage of the '88 Winter Olympic Games. The C-Band uplinks provided round-the-clock availability for ABC's network feeds. If you viewed an Olympic event on ABC, you were watching a signal originating from a Comtech "OffSAT" Antenna.

Antenna Division C and Ku band antenna systems were used to provide a variety of network feeds during the recent national political conventions in Atlanta and New Orleans.

During fiscal 1988, CSI completed delivery of 20 shelterized line-of-sight and troposcatter radio systems for use in a large air-defense system being installed in South America. The troposcatter systems incorporate CSI's patented Predetection Combiner and CMC's 2 KW High Power Amplifier.

Comtech Telecommunications Corp. and Subsidiaries

Consolidated Balance Sheets

July 31, 1988 and 1987

ASSETS	1988	1987
Current Assets:		
Cash (including restricted cash of $1,730,000 and $1,582,000) (Note 10)	**$ 2,683,000**	$ 9,280,000
Accounts receivable — net (Notes 2 and 9)	**2,667,000**	2,361,000
Inventories — net (Notes 1, 3 and 9)	**1,134,000**	680,000
Prepaid expenses and other	**231,000**	102,000
Total current assets	**6,715,000**	12,423,000
Property, Plant and Equipment — net (Notes 1 and 4)	**1,677,000**	1,826,000
Other Assets (Note 5)	**1,018,000**	1,403,000
Total (Note 7)	**$ 9,410,000**	$ 15,652,000

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	1988	1987
Current Liabilities:		
Accounts payable	**$ 2,546,000**	$ 885,000
Accrued expenses and other (Note 6)	**2,430,000**	3,558,000
Current maturities of long-term debt (Note 7)	**568,000**	10,353,000
Net current liabilities of business sold (Note 15)		153,000
Total current liabilities	**5,544,000**	14,949,000
Long-Term Debt (Note 7)	**908,000**	1,361,000
Other Liabilities (Note 9)	**950,000**	736,000
Commitments and Contingencies (Note 10)		
Stockholders' Equity (Deficiency): (Note 11)		
Preferred stock, $.10 par value; shares authorized, 2,000,000; Issued — none		
Common stock, $.10 par value; shares authorized, 20,000,000; shares issued: 1988, 6,171,187 and 1987, 5,061,787	**617,000**	506,000
Paid-in capital	**14,287,000**	13,292,000
Deficit	**(12,716,000)**	(15,012,000)
	2,188,000	(1,214,000)
Treasury stock — 75,000 shares — at cost	**(180,000)**	(180,000)
Stockholders' equity (deficiency)	**2,008,000**	(1,394,000)
Total	**$ 9,410,000**	$ 15,652,000

See Notes to Consolidated Financial Statements.

Statements of Consolidated Operations

For the fiscal years ended July 31, 1988, 1987 and 1986

	1988	1987	1986
Continuing Operations:			
Net sales (Notes 1 and 13)	**$15,770,000**	$13,533,000	$ 8,658,000
Operating costs and expenses: (Note 1)			
Cost of sales	**11,487,000**	9,759,000	5,946,000
Selling, general and administrative	**3,411,000**	3,253,000	2,714,000
Research and product development (Note 1)	**111,000**	159,000	342,000
Total operating costs and expenses	**15,009,000**	13,171,000	9,002,000
Operating income (loss) from continuing operations	**761,000**	362,000	(344,000)
Other — net (Note 12)	**(184,000)**	(16,000)	(582,000)
Income (Loss) from Continuing Operations (Note 1)	**577,000**	346,000	(926,000)
Operations of Business Sold — net (Note 15)		3,531,000	320,000
Income (Loss) before Extraordinary Credit	**577,000**	3,877,000	(606,000)
Extraordinary Credit (Note 7)	**1,719,000**		
Net Income (Loss)	**$ 2,296,000**	$ 3,877,000	$ (606,000)
Earnings (Loss) Per Share: (Note 1)			
Continuing operations	**$.10**	$.07	$(.19)
Operations of business sold		.72	.06
Extraordinary credit	**.30**		
Earnings (loss) per share	**$.40**	$.79	$(.13)
Weighted average number of common shares outstanding	**5,746,725**	4,892,779	4,758,066

See Notes to Consolidated Financial Statements.

Comtech Telecommunications Corp. and Subsidiaries

Statements of Changes in Consolidated Financial Position

For the fiscal years ended July 31, 1988, 1987 and 1986

	1988	1987	1986
Operations:			
Income (loss) from continuing operations before extraordinary credit*	**$ 577,000**	$ 346,000	$ (926,000)
Items not impacting funds:			
Depreciation and amortization	**623,000**	846,000	856,000
Reversals of reserves and accruals no longer considered necessary		(1,326,000)	(426,000)
Total	**1,200,000**	(134,000)	(496,000)
Operations of business sold (including gain on sale)		3,861,000	615,000
Funds provided from operations	**1,200,000**	3,727,000	119,000
Asset and liability management:			
Accounts receivable — net	**(306,000)**	(368,000)	847,000
Inventories	**(454,000)**	218,000	311,000
Prepaid expenses and other current assets	**(129,000)**	615,000	(182,000)
Other assets	**355,000**	93,000	(1,153,000)
Accounts payable	**1,661,000**	423,000	(631,000)
Accrued expenses	**(1,164,000)**	(952,000)	(735,000)
Other liabilities		617,000	89,000
Net assets of business sold	**(153,000)**	3,880,000	(949,000)
Funds Provided (used) by Operations	**1,010,000**	8,253,000	(2,284,000)
Investment in Property and Equipment:			
Purchases	**(138,000)**	(357,000)	(498,000)
Disposals			89,000
Funds Invested in Property and Equipment	**(138,000)**	(357,000)	(409,000)
Financing Activities:			
Borrowings — net	**(8,575,000)**	(919,000)	(431,000)
Issuance of common stock and warrants	**1,106,000**	402,000	232,000
Funds used in Financing Activities	**(7,469,000)**	(517,000)	(199,000)
Increase (Decrease) in Cash	**$(6,597,000)**	$7,379,000	$(2,892,000)

*The extraordinary credit had no impact on cash.

See Notes to Consolidated Financial Statements.

Comtech Telecommunications Corp. and Subsidiaries

Statements of Stockholders' Equity (Deficiency)

For the fiscal years ended July 31, 1988, 1987 and 1986

	Common Stock					
	Shares Issued	Dollar Amount	Paid-In Capital	Deficit	Treasury Stock	Stockholders' Equity (Deficiency)
Balance, August 1, 1985	4,730,890	$473,000	$12,691,000	$(18,283,000)	$(180,000)	$(5,299,000)
Shares issued in connection with stock purchase and employment agreements (Note 11)	59,247	6,000	226,000			232,000
Net loss				(606,000)		(606,000)
Balance, July 31, 1986	4,790,137	479,000	12,917,000	(18,889,000)	(180,000)	(5,673,000)
Shares issued in connection with stock option, warrant, purchase and employment agreements (Note 11)	271,650	27,000	325,000			352,000
Warrant issued in connection with the sale of the Premier Microwave Division's net assets (Note 15)			50,000			50,000
Net income				3,877,000		3,877,000
Balance, July 31, 1987	5,061,787	506,000	13,292,000	(15,012,000)	(180,000)	(1,394,000)
Shares issued in connection with stock option, warrant, purchase and employment agreements (Note 11)	9,400	1,000	5,000			6,000
Shares issued in exchange for outstanding 13% Subordinated Notes (Note 7)	1,100,000	110,000	990,000			1,100,000
Net income				2,296,000		2,296,000
Balance, July 31, 1988	6,171,187	$617,000	$14,287,000	$(12,716,000)	$(180,000)	$ 2,008,000

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting and Reporting Policies

A summary of significant accounting and reporting policies follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Comtech Telecommunications Corp. and its subsidiaries ("Comtech" or the "Company"), all of which are wholly owned. All significant intercompany balances and transactions have been eliminated.

Sales Recognition

Sales made under long-term contracts for large programs requiring significant start-up time and costs are accounted for under the percentage-of-completion method of accounting. Retainages and estimated earnings in excess of amounts billed on such multi-year programs are included in unbilled receivables. Other long-term contracts are accounted for under the unit-of-delivery method of accounting.

Sales not associated with long-term contracts are generally recognized upon shipment or title transfer.

Costs and Expenses

Cost of sales is based on actual manufacturing costs incurred and, in the case of partial completion of long-term contracts, estimated final contract costs. Contract costs include material, direct labor, manufacturing overhead and other direct costs.

Since contracts may extend over periods in excess of one year, revisions in costs and earnings estimates during the course of contract performance are reflected in the accounting period in which the facts giving rise to the revision become known. When current estimates indicate a future loss on a contract is probable, a provision for the full amount thereof is charged to current operations. To the extent that the charge for the estimated loss exceeds the inventory balance related to the "loss" contract, the excess is credited to an allowance for estimated losses on contracts.

Inventories

Raw materials and components and work-in-process associated with short-term contracts and purchase orders are stated at the lower of cost (using the first-in, first-out cost flow assumption) or market. Work-in-process associated with long-term contracts accounted for under the unit-of-delivery method is valued at the total material, direct labor, manufacturing overhead and other direct costs incurred under each contract, less amounts charged to cost of sales pursuant to the application of the unit-of-delivery method of revenue recognition.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Annual depreciation is provided utilizing the straight-line method over the estimated useful service lives of the related assets (buildings and improvements — forty years, equipment — three to eight years). Leasehold improvements are amortized over the remaining terms of the leases or the useful lives of the improvements, whichever is less.

Research and Product Development Costs

The Company charges research and product development costs to operations as incurred, except in those cases in which such costs are reimbursable under customer-funded contracts.

Income Taxes

The Company adopted Statement of Financial Accounting Standards No. 96 and elected to restate prior years to give retroactive effect to such election. The data below provides information on what income would have been in 1988 and 1987 if such statement had not been adopted. The adoption had no impact on 1986.

	1988		1987	
	Amount	**Per Share**	Amount	Per Share
Income from continuing operations	**$ 370,000**	**$.06**	$ 196,000	$.04
Operations of business sold — net			2,330,000	.48
Extraordinary credit	**1,926,000**	**.34**	1,351,000	.27

Where appropriate, the Company provides deferred income taxes for the tax effects of transactions which are reported in different periods for financial reporting purposes than for income tax purposes (see Note 8). At July 31, 1988, no deferred taxes are recorded because of the existence of net operating loss carryforwards. Benefit for such carryforwards is recorded when utilized and is accounted for as a reduction of the provision for income taxes.

Earnings (Loss) Per Share

Earnings (loss) per share are calculated based on the weighted average number of common shares outstanding. No impact was given to the assumed exercise of warrants or options because the impact of such assumed exercise would be antidilutive in all years presented.

Reclassifications

Certain amounts relating to fiscal 1987 and 1986 have been reclassified to conform with the fiscal 1988 presentation.

2. Accounts Receivable

Accounts receivable relating to continuing operations consist of the following at July 31, 1988 and 1987:

	1988	1987
Amounts receivable from the United States Government and its agencies	**$ 708,000**	$ 493,000
Unbilled receivables (including retainages) on contracts-in-progress	**344,000**	1,154,000
Accounts receivable from commercial customers and others	**1,641,000**	746,000
Total	**2,693,000**	2,393,000
Less — Allowance for doubtful accounts (see Note 9)	**26,000**	32,000
Accounts receivable — net	**$2,667,000**	$2,361,000

3. Inventories

Inventories relating to continuing operations consist of the following at July 31, 1988 and 1987:

	1988	1987
Raw materials and components	**$ 572,000**	$ 430,000
Work-in-process	**1,082,000**	2,289,000
Gross inventories	**1,654,000**	2,719,000
Less:		
Progress payments	**96,000**	1,610,000
Inventory reserves (see Note 9)	**424,000**	429,000
Inventories — net	**$1,134,000**	$ 680,000

Title to work-in-process is vested in the customer for those contracts which provide for progress, partial or advance payments to the extent of such payments received.

4. Property, Plant and Equipment

Changes in property, plant and equipment used by continuing operations were as follows:

Year Ended	Balance at Beginning of Year	Additions at Cost	Transfers, Retirements or Sales	Balance at End of Year
July 31, 1988				
Land	$ 58,000			$ 58,000
Buildings and improvements	1,170,000			1,170,000
Equipment	6,414,000	$135,000	$ 250,000 (a)	6,799,000
Leasehold improvements	334,000	3,000		337,000
Total	$7,976,000	$138,000	$ 250,000	$8,364,000
July 31, 1987				
Land	$ 58,000			$ 58,000
Buildings and improvements	892,000	$278,000		1,170,000
Equipment	6,333,000	79,000	$ 2,000	6,414,000
Leasehold improvements	334,000			334,000
Total	$7,617,000	$357,000	$ 2,000	$7,976,000
July 31, 1986				
Land	$ 58,000			$ 58,000
Buildings and improvements	885,000	$ 7,000		892,000
Equipment	5,967,000	462,000	$ (96,000)	6,333,000
Leasehold improvements	340,000	29,000	(35,000)	334,000
Total	$7,250,000	$498,000	$(131,000)	$7,617,000

(a) Transferred to or from other accounts.

Changes in accumulated depreciation of property, plant and equipment used by continuing operations were as follows:

Year Ended	Balance at Beginning of Year	Charged to Profit and Loss	Transfers, Retirements, Renewals or Replacements	Balance at End of Year
July 31, 1988				
Buildings and improvements	$ 264,000	$ 71,000		$ 335,000
Equipment	5,710,000	434,000		6,144,000
Leasehold improvements	176,000	32,000		208,000
Total	$6,150,000	$537,000		$6,687,000
July 31, 1987				
Buildings and improvements	$ 222,000	$ 42,000		$ 264,000
Equipment	5,210,000	500,000		5,710,000
Leasehold improvements	128,000	48,000		176,000
Total	$5,560,000	$590,000		$6,150,000
July 31, 1986				
Buildings and improvements	$ 186,000	$ 36,000		$ 222,000
Equipment	4,748,000	505,000	$ (43,000)	5,210,000
Leasehold improvements	71,000	57,000		128,000
Total	$5,005,000	$598,000	$ (43,000)	$5,560,000

In September 1988 the Company sold and simultaneously leased back its land and building in St. Cloud, Florida. The buyer/lessor is a partnership in which one of the Company's officers is a general partner. The transactions will not result in any gain or loss.

5. Other Assets

Other assets consist of the following at July 31, 1988 and 1987:

	1988	1987
8-1/2% note receivable arising from the sale of the net assets of the Premier Microwave Division (see Note 15)	**$1,000,000**	$1,000,000
Other, principally deferred expenses	**18,000**	403,000
Total	**$1,018,000**	$1,403,000

The 8-1/2% note receivable has a due date of July 31, 1994. In April 1988 the issuer commenced a lawsuit seeking damages in an unstated amount and alleging, among other things, that there were misrepresentations in the sales agreement. The Company denies the allegations and intends to defend vigorously against such action.

6. Accrued Expenses and Other

Accrued expenses and other consist of the following at July 31, 1988 and 1987:

	1988	1987
Accrued interest	**$ 33,000**	$ 650,000
Accrued commissions	**275,000**	477,000
Customer advances and deposits	**221,000**	589,000
Accrued wages and benefits	**470,000**	236,000
Allowance for estimated losses on contracts	**179,000**	274,000
Warranty expenses	**259,000**	42,000
Professional fees	**218,000**	102,000
Other	**775,000**	1,188,000
Total	**$2,430,000**	$3,558,000

7. Long-Term Debt and Credit Facilities

Long-term debt consists of the following at July 31, 1988 and 1987:

	1988	1987
13% Subordinated Notes due 1991 (net of unamortized discount of $581,000)		$ 9,419,000
Promissory note payable to Storage Technology Corporation ("STC")	**$1,372,000**	1,744,000
Loan payable to the United States Army	**41,000**	290,000
Obligations under capital leases	**63,000**	261,000
Total long-term debt	**1,476,000**	11,714,000
Less — current maturities	**(568,000)**	(10,353,000)
Long-term portion	**$ 908,000**	$ 1,361,000

13% Subordinated Notes

In February 1983, the Company completed a public offering in which it sold $10,000,000 principal amount of 13% Subordinated Notes due February 1, 1991 (the "Notes") and 800,000 warrants (see Note 11). On November 30, 1987, Comtech completed an exchange offer with the holders of the Notes pursuant to which the Company paid $6,000,000 in

Cash together with 1,000,000 shares of its common stock for the entire amount of Notes outstanding. Comtech recognized a pretax extraordinary gain of $1,719,000 (after all expenses) on this transaction and, in addition, reduced its future debt service requirements. The Company's financial advisor received a fee of $100,000 as well as 100,000 shares of the Company's common stock as compensation for its services relating to the exchange.

Promissory Note Payable to STC

The promissory note payable to STC is payable in quarterly payments of $125,000, including interest at the prime rate. The Company has pledged the common stock and assets of its wholly-owned subsidiary, Comtech Microwave Corp., to secure this loan.

Army Loan

The Army Loan is payable in monthly installments of $21,000 through October 1988 and bears interest at a rate set, effective prospectively every six months, by the Secretary of Treasury pursuant to the Contracts Dispute Act of 1978. Such rate is 9.25 percent for the period July 1 to December 31, 1988.

Capital Leases

The obligations under capital leases relate to certain equipment leased by Comtech's continuing operations having net carrying values of $53,000 and $223,000 at July 31, 1988 and 1987.

Debt Maturities

Scheduled maturities of long-term debt are as follows:

Fiscal Year Ending July 31,	Amount
1989	$ 568,000
1990	433,000
1991	475,000
Total	$1,476,000

Credit Facility

The Company has a $750,000 working capital line of credit from a bank. Borrowings under this credit facility bear interest at 2.5 percentage points above the prime lending rate (such prime being 9.5 percent at July 31, 1988) and are secured by all of the Company's assets (excluding real property) not pledged for other purposes. No amounts were borrowed under this credit facility at any time during fiscal 1988.

8. Income Taxes

For financial reporting purposes, the Company has available net operating tax loss carryforwards of approximately $15,000,000 at July 31, 1988. It expects that its Federal income tax return for the fiscal year ended July 31, 1988 will include net operating loss carryforwards of approximately $12,000,000, expiring principally in the period 1997 to 2001. The difference between these two carryforward amounts is principally a result of (i) the Company's policy to account for long-term contracts on the percentage-of-completion or unit-of-delivery method for financial reporting purposes and the completed contract method for income tax purposes and (ii) certain reserves and provisions established for financial reporting purposes which are not currently deductible for income tax purposes. Its Federal income tax return is also expected to have investment, foreign and research and development tax credit carryforwards of approximately $500,000.

The accompanying statements of consolidated operations for 1987 and 1988 do not reflect provisions for income taxes because of the utilization of available loss carryforwards.

9. Valuation Allowances and Reserves

The following summarizes the activity in the Company's valuation allowances and reserves:

	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
Allowance for doubtful accounts					
1988	$ 32,000			$ 6,000	$ 26,000
1987	23,000	$ 9,000			32,000
1986	37,000	2,000		16,000	23,000
Inventory reserves					
1988	$ 429,000			$ 5,000	$424,000
1987	436,000			7,000	429,000
1986	3,130,000			2,694,000 (a)	436,000
Reserve for idle, excess and other impaired assets					
1988	$ 736,000	$214,000			$950,000
1987	736,000				736,000
1986	700,000		$110,000	$ 74,000	736,000

(a) Relates principally to material associated with a disputed contract.

10. Commitments and Contingencies

United States Government Contracts

Certain of Comtech's contracts are subject to audit by applicable governmental agencies. Until such audits are completed, the ultimate profit on these contracts cannot be determined; however, in the opinion of Management, the final contract settlements will not have a material adverse effect on the Company's financial condition.

Litigation

Comtech is a defendant in various suits and claims arising from the normal course of business. Management believes, based on discussions with counsel, that the ultimate liability to the Company, if any, on these matters would not have a material adverse impact on the Company's financial condition. See Note 5 for a description of a legal matter relating to the sale of the net assets of a division.

Operating Leases

Comtech is obligated under operating lease agreements for equipment and manufacturing and office facilities to pay minimum scheduled rentals as follows:

Fiscal Year Ending July 31,	Amount
1989	$120,000
1990	125,000
1991	101,000
1992	29,000
Total	$375,000

Rent expense charged to continuing operations was $213,000 in 1988, $191,000 in 1987 and $272,000 in 1986.

Letters of Credit

In connection with the performance of work under certain contracts, the Company is required to establish letters of credit and/or performance guarantees. As of July 31, 1988, the Company is committed under open letters of credit of $1,730,000, all of which are secured by certificates of deposit.

11. Stockholders' Equity

Option and Warrant Plans and Agreements

The Company has several option and warrant plans and agreements.

1982 Incentive Stock Option Plan — The 1982 Incentive Stock Option and Appreciation Plan provides for the granting to key employees and officers of incentive stock options to purchase up to 800,000 shares of the Company's common stock through 1992 at prices not less than the fair market value of such shares on the date the option is granted.

The plan also provides that Stock Appreciation Rights ("SARs") may be issued in conjunction with the options. The SARs entitle the holder to receive payment in exchange for the surrender, in whole or in part of the related option, of an amount equal to the excess of the fair market value at the time of surrender over the aggregate option price of such shares. Such payment may be made in shares of common stock of the Company, in cash, or a combination thereof, as determined by the committee administering the plan. For financial reporting purposes, the difference between the aggregate market value and exercise price of outstanding SARs is considered compensation expense to the Company. No such compensation was incurred during any of the three years in the period ended July 31, 1988.

Incentive Warrant Plan — The Company's Incentive Warrant Plan for Directors of the Company who were neither officers nor employees of the Company was terminated; however, warrants to purchase 5,000 shares of stock remain outstanding under the Plan, all of which are exercisable until January 31, 1991.

Directors' Option Plan — In March 1988, the stockholders approved a plan under which options to purchase up to 50,000 shares may be granted at an option price of not less than the fair market price per share at the date of grant. Options become exercisable at the rate of 20 percent per year commencing one year from the date of grant.

Public Warrants — In February 1983, the Company sold 800,000 warrants in connection with the issuance of the 13% Subordinated Notes (see Note 7). Each warrant entitles the holder to purchase one share of the Company's common stock at a price of $11, subject to adjustment, until January 31, 1989. As of July 31, 1988, none have been exercised.

Warrant Held by STC — STC holds a warrant to purchase 450,000 shares of the Company's common stock at an exercise price of $2.00 per share through March 8, 1990. Shares purchased through the exercise of this warrant will contain restrictions on voting and transferability. As of July 31, 1988, no portion of this warrant has been exercised.

Warrant Sold to the Purchaser of Premier — As part of the sale of Premier's net assets (see Note 15), Comtech issued a warrant to purchase 500,000 shares of the Company's common stock at a price of $2.00 per share exercisable through July 1992. Shares purchased through the exercise of this warrant will contain restrictions on voting and transferability. No portion of this warrant has been exercised as of July 31, 1988.

For financial reporting purposes, this warrant was valued at $50,000.

Option and Warrant Activity

The following table sets forth summarized information concerning the Company's stock options and warrants:

	1988		1987	
	Number	**Exercise Price Range**	Number	Exercise Price Range
Options/warrants outstanding at the beginning of the fiscal year	**2,192,700**	**$.50-$11.00**	1,640,266	$1.125-$11.00
Granted	**442,400**	**.75 - 1.00**	849,300	.50 - 2.00
Exercised	**(3,000)**	**.50**		
Expired/cancelled	**(113,900)**	**.50 - 3.88**	(296,866)	.94 - 4.69
Options/warrants outstanding at the end of the fiscal year	**2,518,200**	**.50 - 11.00**	2,192,700	.50 - 11.00
Options/warrants exercisable at the end of the fiscal year	**1,825,120**	**.50 - 11.00**	1,795,584	.50 - 11.00
Options/warrants available for grant at the end of the fiscal year	**83,800**		154,600	

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan under which 300,000 shares of the Company's authorized and unissued common stock were reserved for offering to employees, other than officers and directors, who have been employed for at least one year and meet certain other minimum eligibility requirements. Under the terms of the plan, at the beginning of each six-month period, participants are granted the right to purchase up to 100 shares of the Company's common stock at a price equal to 85 percent of the fair market value of such stock at either the beginning or the end of the period, on whichever date the price is lower. Employees electing to participate in the plan may purchase stock by executing a subscription agreement and authorizing payroll deductions. During the fiscal years ended July 31, 1988, 1987 and 1986, employees purchased 6,400, 6,650 and 9,247 shares, respectively. At July 31, 1988, 212,319 shares are reserved for possible future issuances under this plan.

Other Agreements

The Company had agreements with officers and employees under which such officers and employees received, subject to certain restrictions, shares of the Company's common stock at a price of $.10 per share. The differences between the fair market value of the Company's common stock as of the date of the respective agreements and the purchase price are treated as compensation expense over the term of the respective agreements. Compensation expense relating to agreements with officers and employees was $185,000 in 1987 and $89,000 in 1986.

12. Other — Net

Other - net relating to continuing operations consists of the following for each of the three fiscal years in the period ended July 31, 1988:

	1988	1987	1986
		Income (Expense)	
Reversal of reserves no longer considered necessary		$ 1,326,000	$ 426,000
Interest — net	**$(204,000)**	(1,389,000)	(1,491,000)
Tax refund, gain on transfer of contracts to other companies, etc.			451,000
Other — net	**20,000**	47,000	32,000
Total	**$(184,000)**	$ (16,000)	$ (582,000)

In 1987, the Company settled a contract dispute with the U.S. Army. The 1987 reversal of reserves no longer considered necessary principally relates to this resolution.

13. Segment and Principal Customer Information

For the purposes of segment reporting, Management considers Comtech to operate in one industry, the communications equipment industry.

In fiscal 1988 and 1987, the Company performed work under a long-term contract on which it recognized sales revenue of $2,093,000 and $6,825,000 (or 13 and 50 percent of net sales from continuing operations). Such contracts were completed during fiscal 1988. During fiscal 1988, sales from another contract amounted to $4,261,000 or 27 percent of sales from continuing operations. Such contract is expected to be completed in fiscal 1990. During the fiscal years ended July 31, 1988, 1987 and 1986, approximately 21, 17 and 80 percent, respectively, of the Company's net sales from continuing operations resulted from contracts with United States Government agencies.

Export sales comprised 35 percent of sales from continuing operations in fiscal 1988 and were not significant in both fiscal 1987 and 1986.

14. Supplementary Income Statement Information

Certain supplementary income statement information relating to continuing operations is as follows for the fiscal years ended July 31, 1988, 1987 and 1986:

	1988	1987	1986
Maintenance and repairs	**$186,000**	$208,000	$225,000
Amortization of intangibles and deferred expenses	**86,000**	258,000	348,000
Advertising	**127,000**	127,000	138,000

Royalties and taxes other than income and payroll were not significant during any fiscal year presented.

15. Business Sold

In July 1987, Comtech sold the net assets of its Premier Microwave ("Premier") business for $7,500,000, consisiting of $6,500,000 in cash and an 8-1/2% promissory note in the principal amount of $1,000,000 (see Note 5). In addition, the Company also issued a warrant to the purchaser of Premier's net assets which entitiles such purchaser to acquire 500,000 shares of Comtech's common stock at $2.00 per share (see Note 11). The sale resulted in a pretax gain of $2,302,000. The cash was used to effect the Exchange described in Note 7.

The net results of Premier's operations are included in the caption "Operations of business sold" in the accompanying Statements of Consolidated Operations and consist of:

	1987	1986
Operations:		
Net sales	$8,417,000	$7,290,000
Costs and expenses:		
Cost of sales	5,782,000	5,599,000
Selling, general and administrative	1,391,000	939,000
Research and development		418,000
Other — net	15,000	14,000
Total	7,188,000	6,970,000
Operating income	1,229,000	320,000
Gain on Sale of Business	2,302,000	
Operations of Business Sold	$3,531,000	$ 320,000

The amounts above for 1987 reflect the benefit from utilization of net operating loss carryforwards of $418,000 from operations and $783,000 from the gain on the sale of business.

OPINION OF INDEPENDENT AUDITORS

To The Board of Directors and Stockholders
of Comtech Telecommunications Corp.:

We have audited the accompanying consolidated balance sheets of Comtech Telecommunications Corp. and subsidiaries as of July 31, 1988 and 1987 and the related consolidated statements of operations, changes in financial position and stockholders' equity for each of the three years in the period ended July 31, 1988. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Comtech Telecommunications Corp. and its subsidiaries at July 31, 1988 and 1987 and the results of their operations and changes in their financial position for each of the three years in the period ended July 31, 1988 in conformity with generally accepted accounting principles.

Deloitte Haskins & Sells

September 23,1988
Woodbury, N.Y.

Price Range of Common Stock and Warrants

The Company's Common Stock and Warrants are traded in the over-the-counter market. On January 20, 1988, the Company's Common Stock was relisted for quotation on the NASDAQ System. On September 3, 1985, both the Common Stock and Warrants had been deleted from the NASDAQ System due to the Company's failure to meet NASDAQ's capital and surplus requirements. The Company's Warrants are not listed on any securities exchange or quoted on NASDAQ. Market prices for the Warrants are not available and the Company has been advised that the value of the Warrants is considered negligible.

The following table sets forth the range of high and low closing bids for the Common Stock for the periods indicated. The prices shown for the period from August 1, 1986 to January 19, 1988 are quotations furnished to the Company by a market maker for the Common Stock, and thereafter reflect representative quotations as reported on NASDAQ. Such prices do not include retail markups, markdowns or commissions and do not necessarily reflect actual transactions.

	Common Stock	
	High Bid	Low Bid
Fiscal Year Ended 7-31-87		
First Quarter	7/8	3/4
Second Quarter	3/4	1/4
Third Quarter	1-3/4	3/8
Fourth Quarter	1-7/8	7/8
Fiscal Year Ended 7-31-88		
First Quarter	1-5/8	3/4
Second Quarter	1-5/8	3/4
Third Quarter	1-1/4	7/8
Fourth Quarter	1-3/8	3/4
Fiscal Year Ending 7-31-89		
First Quarter (through September 21, 1988)	1	13/16

On September 21, 1988, the closing bid quotation of the Common Stock was $1.00 per share. The Company has approximately 1,700 holders of record of the Common Stock. No dividends were declared during any of the periods indicated.

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

Liquidity and Capital Resources

In July 1987, the Company sold the assets of its Premier Microwave operation for aggregate consideration of approximately $7,500,000, consisting of approximately $6,500,000 in cash and a $1,000,000 subordinated promissory note payable on July 31, 1994, bearing interest at 8.5% per annum, payable annually, and the assumption by the purchaser of certain obligations of Premier. In connection with such sale, the Company also issued warrants expiring July 31, 1992 to purchase 500,000 shares of Common Stock at an exercise price of $2.00 per share, subject to adjustment in certain circumstances, to the sole shareholder of the purchaser of such assets. In April 1988, the purchaser and its sole shareholder commenced an action in Federal Court against the Company, its auditors and Fred Kornberg, as Chairman and President, alleging, among other things, that misrepresentations were made in connection with the sale. The suit, which seeks compensatory damages and other relief, is being vigorously defended. In August 1988, the Company received the first interest payment of $85,000 due under the promissory note.

In August 1987, the Company settled a dispute between the U.S. Army and its former Government Systems Division. Under the settlement, the U.S. Army rescinded its 1984 termination of a contract for default and withdrew its claim for unliquidated progress payments of $1,821,000, plus accrued interest, and the parties exchanged releases.

On November 30, 1987, the Company completed an exchange of the entire $10,000,000 principal amount of its 13% Subordinated Notes due February 1, 1991 for $6,000,000, plus interest of $430,000, in cash and 1,000,000 shares of the Company's common stock pursuant to its Exchange Offer. The elimination of this debt significantly reduced the Company's debt service requirements and contributed significantly to the elimination of its equity deficiency. At July 31, 1988, the Company's stockholders' equity was $2,008,000 as compared to a deficiency of $1,394,000 at July 31, 1987.

In January 1988, the Company arranged a credit line from the Bank of Long Island in the amount of $750,000 to be used for short-term working capital needs. Borrowings under this credit line, which will bear interest at 2 1/2% over prime, will be secured by a portion of the Company's assets. There were no borrowings outstanding under this line at July 31, 1988. The Company is presently finalizing arrangements with the bank to increase the amount of credit available to $2,000,000 with a reduction in the interest rate.

Several of the Company's contracts are long term and, as such, require significant cash outlays in the early stages of the projects. Although the Company receives advance payments from these customers, the initial deposits are used to secure performance obligations since the Company at present does not have an unsecured letter of credit facility. Management believes that the two million dollar credit facility that it is finalizing with the Bank of Long Island will be sufficient to meet its cash requirements under these contracts.

At July 31, 1988, the Company had letters of credit outstanding, secured by certificates of deposit, in the amount of $1,730,000.

Cash and short-term investments at July 31, 1988 were $2,683,000 compared to $9,280,000 at July 31, 1987. The principal reason for the decrease in the cash balance was the payment of $6,000,000, plus accrued interest of $430,000, to the 13% Subordinated Noteholders pursuant to the Exchange Offer.

Results of Operations

Fiscal Year 1988 Compared to Fiscal Year 1987

For the year ended July 31, 1988, the Company had net income of $2,296,000 as compared to $3,877,000 for the prior year. Income from continuing operations for fiscal 1988 was $577,000 as compared to $346,000 for the prior year. The 1988 results include an extraordinary credit of $1,719,000 resulting from the gain on the elimination of $10,000,000 principal amount of the Subordinated Notes for cash and stock. The 1987 results included income from the operations of a business sold of $3,531,000; and income from continuing operations for that year benefited from the net reversal of approximately $1,000,000 of reserves no longer considered necessary. Operating income from continuing operations was $761,000 in 1988 as compared to $362,000 in 1987.

Sales from continuing operations increased $2,237,000, or 17%, from 1987 reflecting a substantial shipment under a contract with an international customer by Comtech Systems, Inc. during the Company's third fiscal quarter. In addition, the Company's new subsidiary, Power Systems Technology, Inc., commenced shipments during the current year.

Cost of sales increased $1,728,000, or 18%, from 1987 resulting principally from the increase in sales volume. Additionally, in 1988 gross profits were slightly lower, particularly on the contract with an international customer mentioned above.

Selling, general and administrative expenses increased $158,000, or 5%, from 1987 reflecting start-up expenses at Power Systems Technology, Inc. and increased expenditures at Comtech Systems, Inc., which were partially offset by reductions in amortization expenses relating to the Exchange Offer and general efficiency measures implemented during the year.

Research and development expenses for continuing operations decreased $48,000, or 30%, from 1987 resulting from reductions at Comtech Microwave Corp. During 1988, however, the Company's Power Systems Technology, Inc. and Comtech Systems, Inc. subsidiaries spent a significant amount of funds on research and development efforts related to specific contracts. These costs were recoverable under such contracts and, consequently, are reflected in cost of sales. The Company estimates that approximately $600,000 was spent on such efforts in 1988.

Net interest expense decreased $1,185,000, or 85%, from 1987 primarily due to the elimination of $10,000,000 principal amount of 13% Subordinated Notes pursuant to the Exchange Offer completed in November 1987 as well as interest earned on the $1,000,000 note receivable from the sale of the assets of the Company's Premier Microwave operation and generally lower debt levels.

Fiscal Year 1987 Compared to Fiscal Year 1986

For the year ended July 31, 1987, the Company had net income of $3,877,000 as compared to a net loss of $606,000 for the prior year. The 1987 results included income of $346,000 from continuing operations, income of $1,229,000 from Premier's discontinued operations and a gain of $2,302,000 on the sale of Premier's assets. The 1987 results also benefited from the net reversal of approximately $1,000,000 of reserves no longer considered necessary after the settlement of the U.S. Army Radio Contract termination. The 1986 loss was cushioned by a $351,000 tax refund and a gain of $100,000 from the novation of a contract. Operating income from continuing operations was $362,000 in 1987 compared to an operating loss of $344,000 in 1986.

Sales from continuing operations increased $4,875,000, or 56%, from 1986, principally reflecting a sales increase under long term contracts at Comtech Systems, Inc. partially offset by a decline in sales at Comtech Microwave Corp.

Cost of sales increased $3,813,000, or 64%, from 1986, principally as a result of the higher sales volume. Additionally, gross profit under a major contract was slightly lower than the total gross profit percentage realized in general by the Company in 1986.

Selling, general and administrative costs increased $539,000, or 20%, from 1986, reflecting increased expenses at both operating locations as well as in the Company's general business insurance costs. Additionally, during fiscal 1987, approximately $200,000 was charged to expense relating to the issuance of common stock to several key employees.

Research and development expenses for continuing operations decreased $183,000, or 54%, reflecting reduced budgets for 1987, particularly at Comtech Microwave Corp.

Interest expense decreased $102,000, or 7%, from 1986, principally as a result of lower debt levels.

Summary Selected Financial Data

(Dollars in thousands, except for per share amounts)

	Year Ended July 31,				
	1988	1987 (1)	1986 (1)	1985 (1)	1984 (1)
Selected Income Data:					
Net sales from continuing operations	**$15,770**	$13,533	$ 8,658	$12,682	$10,683
Operating income (loss) from continuing operations	**761**	362	(344)	(1,956)	(18,553)
Income (loss) from continuing operations	**577**	346	(926)	(1,512)	(21,328)
Net income (loss)	**2,296**	3,877	(606)	6,675	(27,886)
Earnings (loss) per share:					
Income (loss) from continuing operations	**.10**	.07	(.19)	(.31)	(4.51)
Net income (loss)	**.40**	.79	(.13)	1.39	(5.89)
Selected Balance Sheet Data:					
Working capital (deficit)	**1,171**	(2,526)	341	(1,353)	(10,009)
Total assets	**9,410**	15,652	13,211	12,151	18,467
Long-term debt, excluding current maturities	**908**	1,361	11,399	10,092	11,586
Stockholders' equity (deficiency)	**2,008**	(1,394)	(5,673)	(5,299)	(12,037)

(1) Amounts have been restated to reflect Comtech Data Corporation, Comtech Communications Corp. and Premier Microwave as discontinued operations.

No cash dividends have been declared on Comtech's Common Stock during any period presented.

Systems has developed a transportable antenna system for tactical troposcatter and satellite communications applications operating in the 4.4 to 5.0 GHz and 7.2 to 8.4 GHz frequency bands. The antenna can be transported by truck, rail or C-130 aircraft and be erected in less than 20 minutes.

Corporate Data

Board of Directors

Fred Kornberg *(1)(4)*
Chairman

George Bugliarello *(2)(3)(4)*
President, Polytechnic University

Sol S. Weiner *(1)(2)(3)*
Managing Director, Stenhouse, Weiner, Sherman, Ltd.

Joe E. Davis *(2)(3)(4)*
Private Investor

Richard L. Goldberg *(1)*
Partner, Botein Hays & Sklar

(1) Executive Committee
(2) Audit Committee
(3) Compensation Committee
(4) Directors' Stock Option Plan Committee

Officers

Fred Kornberg
Chief Executive Officer and President

John Bang
Corporate Controller and Secretary

Michael Javits
Vice President;
President of Comtech Microwave Corp.

Gerard Nocita
Treasurer

J. Preston Windus, Jr.
Vice President;
President of Comtech Systems, Inc.

Annual Meeting

Stockholders are cordially invited to attend and participate in the Annual Meeting of Stockholders scheduled for Tuesday, January 10, 1989 at 10:00 a.m. at:

Compri Hotel
8688 Palm Parkway
Lake Buena Vista, Florida 32830
Tel: 1-800-228-2846

Legal Counsel

Botein Hays & Sklar
200 Park Avenue
New York, New York 10166

Independent Public Accountants

Deloitte Haskins & Sells
100 Crossways Park West
Woodbury, New York 11797

Registrar & Transfer Agent

American Stock Transfer and Trust Company
99 Wall Street
New York, New York 10005

Stock Traded — OTC (NASDAQ Symbol — CMTL)

Corporate Headquarters

Comtech Telecommunications Corp.
63 Oser Avenue
Hauppauge, New York 11788
(516) 435-4646

Operating Units

Comtech Microwave Corp.
63 Oser Avenue
Hauppauge, New York 11788
(516) 435-4646

Comtech Systems, Inc.
3100 Communications Road
St. Cloud, Florida 32769
(407) 892-6111

Power Systems Technology, Inc.
63 Oser Avenue
Hauppauge, New York 11788
(516) 435-8480

Availability of Form 10-K

Stockholders may obtain a copy of Form 10-K, exclusive of exhibits, free of charge by writing to:

Secretary
Comtech Telecommunications Corp.
63 Oser Avenue
Hauppauge, New York 11788

The Company also will furnish exhibits to the Form 10-K to stockholders who request same upon payment to the Company of a $25 fee.

COMTECH
TELECOMMUNICATIONS CORP.

63 Oser Avenue
Hauppauge, New York 11788