COMTECH TELECOMMUNICATIONS CORP.

1991 ANNUAL REPORT

ABOUT THE COMPANY

Comtech Telecommunications Corp., a Delaware Corporation, is engaged in the design, development, manufacture and installation, for commercial and government applications, of high technology communications and RF and microwave related equipment. Its communication products are chiefly used in connection with satellite and tropospheric scatter communications systems. The Company's RF and microwave products also have applications in electronic warfare, radar, medical, RFI/EMI instrumentation systems, 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 use the Company's products, along with the products of others, to sell and install entire systems on a turnkey basis.

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

ON THE COVER

The OFFSAT® antenna shown represents another revolutionary designed satellite antenna offered by Comtech Antenna Systems, Inc. The 5.5 meter by 2.4 meter one-piece reflector was designed specifically to meet the FCC specifications for 2° spaced satellites. The width of 5.5 meters, coupled with the full offset feed, yield very low side lobes and narrow beam widths. Signal reflections from the feed support are virtually eliminated.

The OFFSAT® antenna is used in fixed or mobile locations to uplink various analog and digital signals, as a cost-effective alternative to the larger antennas previously used.

FINANCIAL HIGHLIGHTS

	Year Ended July 31,		
	1991	1990	1989
Net Sales	**$18,333,000**	$18,215,000	$10,593,000
Net Income (Loss)	**2,518,000**	784,000	(612,000)
Earnings (Loss) Per Share	**2.06**	.64	(.50)
Working Capital	**4,091,000**	1,282,000	1,081,000
Long Term Debt	**697,000**	720,000	1,675,000
Stockholders' Equity	**4,705,000**	2,185,000	1,400,000
Book Value Per Share	**3.81**	1.77	1.13
Backlog	**11,800,000**	11,400,000	16,800,000
Orders Booked	**$18,733,000**	$12,815,000	$18,098,000
Current Ratio	**2.35:1**	1.13:1	1.23:1
Number of Employees	**152**	153	109

These Financial Highlights should be read in conjunction with the Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

TO OUR SHAREHOLDERS AND EMPLOYEES:

Fiscal 1991 — a year of progress toward our goals of strengthening our foundation and enhancing shareholder value.

Briefly put, we <u>are</u> pleased to report

- the completion of eight consecutive profitable quarters
- record profits, bookings and sales of our Power Systems Technology subsidiary
- expanded product offerings
- discharge of substantially all long-term debt
- new credit line up to $2 million for letters of credit and working capital
- 1 for 5 reverse stock split and listing of stock on Additional NASDAQ Quotes

Briefly put, we are <u>not</u> pleased to report

- flat sales last year reflecting economic conditions and purchase decision delays by customers
- softness in the early stages of the current fiscal year

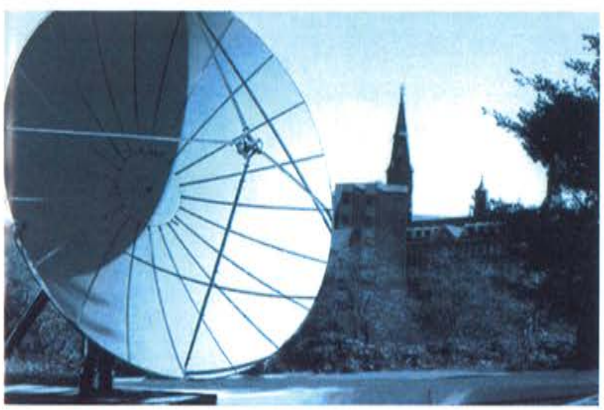
Management has been addressing shortfall areas with new strategies. Our efforts have been aggressive, continued where effective, modified when appropriate.

In particular, we believe certain of our telecommunications and RF microwave markets present special opportunities at this time, and we are structuring our thrusts and resource applications with that in mind. Against this background, our strategic plans for expansion of both international and domestic sales representation, and product improvement and development, are beginning to be executed.

Comtech, of course, still has a way to go, but we are trying our best - and our efforts seem to be paying off. We thank our employees for their hard and effective work, and our shareholders for their support.

Fred Kornberg

Chairman of the Board and President



Comtech Antenna Systems, Inc. (CASI) designs and manufactures antennas, antenna feeds and related components for application in receive-only and receive-transmit Domestic, Intelsat and Inmarsat satellite communications. This subsidiary's 1.8 to 7.3 meter fiberglass and aluminum antennas are used in systems manufactured by Comtech and are also sold directly to other prime contractors and distributors serving the satellite and troposcatter communications markets. CASI personnel's extensive experience in designing and manufacturing antennas dates back to the earliest days of satellite and troposcatter communications. Familiarity with the performance requirements for these antennas has enabled CASI to develop a complete product line of improved, reliable, low cost fiberglass antennas, including fixed and remotely controlled antennas, transportable antennas and specialized multi-beam satellite antenna systems capable of receiving signals simultaneously from many independent satellites.

Activities at CASI this year included supplying fixed and transportable Intelsat antennas for use by customers in Peru, Argentina and Colombia for applications such as the RCN Network which uses 32 antennas to provide digital data, audio and stereo programming throughout Colombia. CASI was well represented in Saudi Arabia during the United States participation in the Desert Shield and Desert Storm campaigns. A total of eleven 5-meter satellite antennas were supplied on extremely short notice to establish satellite channels by long distance common carriers such as AT&T and MCI. The information transmitted included radio and T.V. broadcast as well as serving as the telephone link for our GI's to the USA. A full page color photo of U.S. Marines lined up in front of one of these antennas, waiting to make a telephone call, appeared in the February 25, 1991 issue of Time Magazine.

A new antenna design of CASI's has been incorporated into an Inmarsat A, Class I portable MAGNAPhone™ satellite earth terminal by the NAV-COM subsidiary of Magnavox. The complete terminal, including the 35" folding antenna, weighs only 47 lbs. The terminal provides telephone, telex, fax and data communications anywhere in the world. This terminal is claimed to be the lightest, most compact system of its kind available today. In fiscal year 1991 CASI delivered the first order for 135 units. It was this type of satellite terminal that CNN used in maintaining communications with individuals located in Baghdad, Iraq, during Operation Desert Storm, via the Inmarsat satellite.

Georgetown University installed a CASI microprocessor controlled, 7.3-meter antenna for use with their satellite earth station which receives signals from the Russian Gorizont satellite. The earth station is utilized by the university's Russian studies program. The recent USSR political crisis heightened the interest and significance of this installation.

With the normal channels of satellite communication hindered by the crisis, the Georgetown University earth station became a primary incoming video link. For the first three days of the crisis the university shared coverage with major news gathering networks that descended on the university. The U.S. State Department also made use of the satellite link during the crisis through a line-of-sight microwave link with the university. The university provided a Russian interpreter for the occasion.

CASI this year also took part in that good old American pastime, baseball, with the supply of four motor-driven 3.8-meter satellite antennas for earth terminals installed at the new Cominsky Park, home of the Chicago White Sox. The antennas are controlled for satellite positioning by a personal computer. The installation is utilized to scout the opposition via satellite, eliminating the need to fly scouting personnel to other cities around the country.

Although most of CASI's products are used domestically, the percentage of antennas exported increased dramatically during the past year. In addition to Central and South America, antennas were installed at various sites in the Philippines, Germany, Trinidad, Malaysia and Poland. The Pan Am Games were transmitted from Cuba via one of CASI's OFFSAT® transportable antennas.

Comtech Microwave Corp. (CMC) low noise amplifiers, high power klystron tube amplifiers and frequency conversion systems have been an important part of this subsidiary's product line since its formation. These products are in use in more than 120 countries in satellite earth stations carrying millions of telephone, television and data circuits. The markets for CMC's products include satellite and troposcatter communication systems for commercial and defense applications, earth stations monitoring telemetry data from deep space probing vehicles, electronic intelligence systems, radio astronomy and similar demanding applications where uncompromised high performance is required.

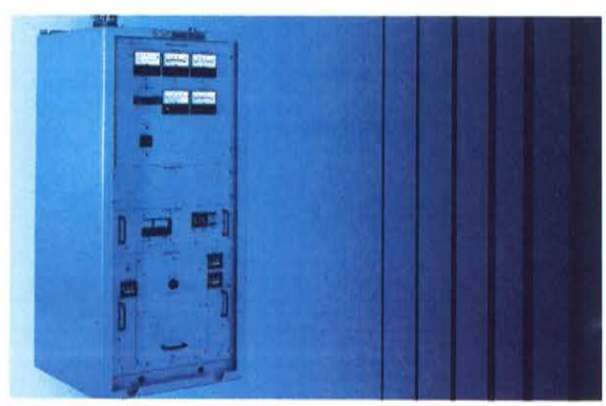
On-going programs include unique hot air antenna de-icer systems for the U.S. Army and high power klystron tube amplifiers for use in Comtech troposcatter systems and for use with the U.S. Department of Commerce and National Oceanic and Atmospheric Administration (NOAA) weather satellites now in orbit and with those planned for future deployment. Newly developed products include C, Ku and X-Band micro-processor-controlled Up and Down Frequency Converters.

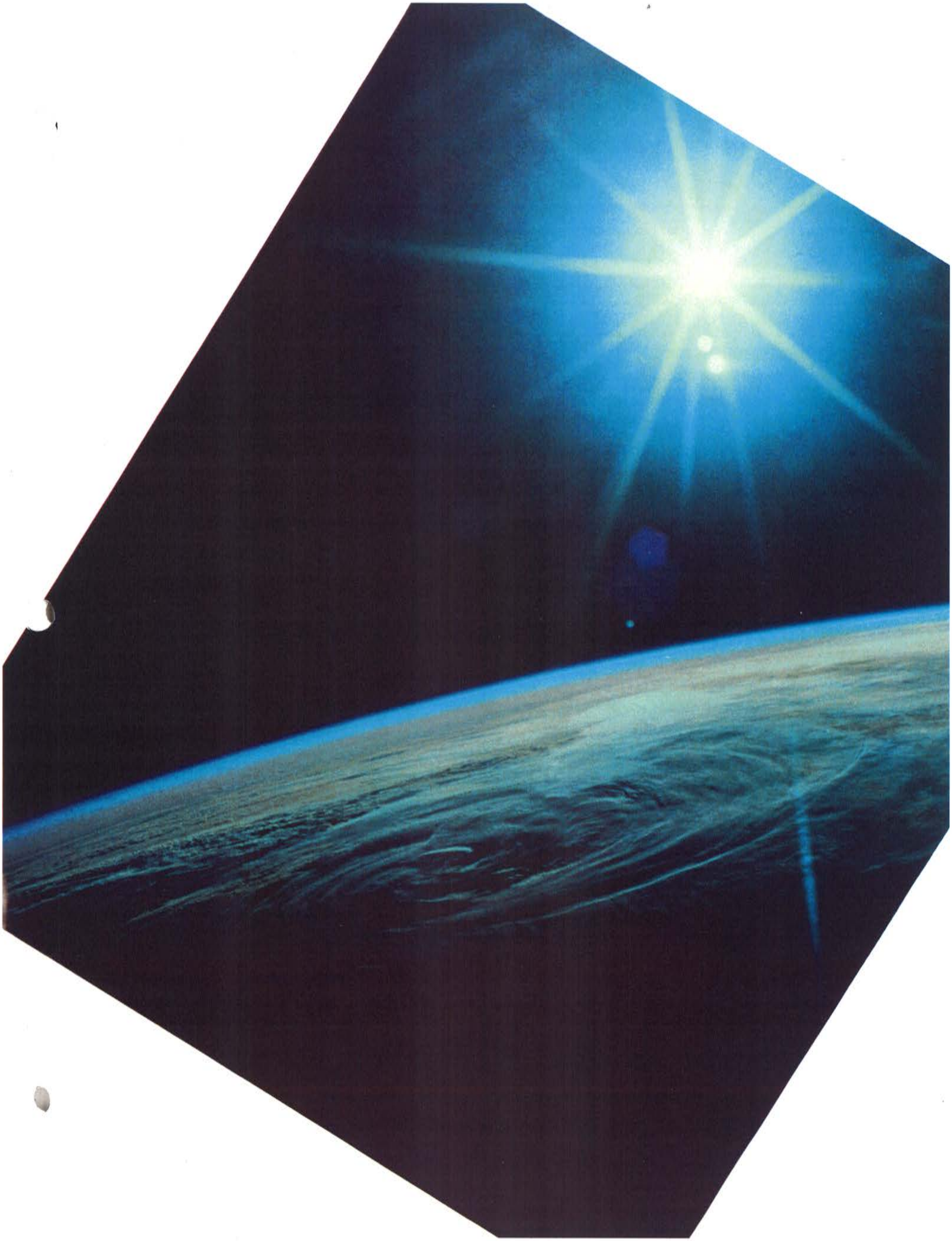
In 1971, Comtech designed and installed ground communications equipment for NOAA at the Wallops Island, Virginia, Earth Station, to operate with their then new Geostationary Operational Environmental Satellites (GOES). The equipment included Comtech's standard klystron tube high power amplifiers, transmit and receive frequency converters and custom designed monitor and control panels.

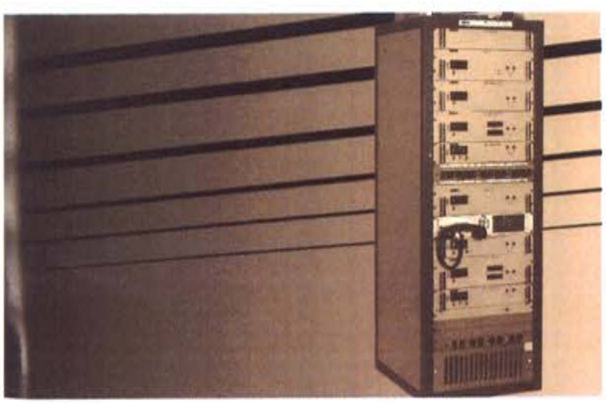
Now in 1991, twenty years later, CMC is under contract with NOAA to upgrade the Wallops Island system to new computer controlled and monitored earth stations for operation with their new GOES satellite that is to be launched into orbit in the near future. Additional equipment will be supplied and installed at the NOAA earth station in Fairbanks, Alaska where it will operate with a satellite in polar orbit.

The mission that is performed by the NOAA satellites is the gathering of weather patterns around the earth for use in more accurate weather predictions, monitoring of atmospheric disturbances such as dust clouds caused by volcanic eruptions, monitoring of earth moisture and temperature change, for use by the agricultural industry and monitoring of shifting ice flows for use by the shipping industry, among many other purposes.

Comtech Microwave Corp.'s high power amplifier continues to be a product leader for the subsidiary and forms the heart of power transmitting subsystems within the troposcatter systems sold by Comtech.







Comtech Systems, Inc. (CSI) designs and manufactures communication systems and equipments for international and domestic applications. This subsidiary provides a full range of capabilities for system and network planning, design, implementation, testing and installation of fully integrated communication terminals. These terminals are used in international and domestic satellite communication systems, terrestrial microwave links and tropospheric scatter systems. Its products and services are marketed to agencies of the U.S. Department of Defense, NATO, free-world defense commands, industrial users and other prime contractors.

CSI's personnel have extensive experience in the design, management and implementation of fixed site, mobile, transportable and shipboard communications terminals for both military and commercial applications, including the responsibility for site surveys, civil works and installation.

In the Digital Tropospheric Scatter Communications area, CSI has continued to maintain and expand its leadership position. A particularly noteworthy accomplishment this year is that CSI replaced the 20 year incumbent troposcatter system supplier in the North Sea by winning the first two digital troposcatter links to be used by the oil companies in the North Sea. The system will be used to provide production data on the gas and oil piped back to a shore site in England from new platform sites, as well as supplying telephone service. In view of the increased emphasis placed upon highly reliable communications by the oil companies, it is a compliment to CSI's proven experience in the digital area that it was selected to provide these systems. In other oil company related projects, CSI was awarded a second follow on troposcatter system in Malaysia to connect land based stations with pumping platforms located in the South China Sea. The system required very quick delivery and installation to allow the user to meet a near term operational deadline.

Soon after the close of fiscal year 1991, CSI received a contract from the Peoples Republic of China to supply equipment for 20 digital troposcatter terminals to be used in a large domestic digital communications network in support of an oil and gas distribution project.

Power Systems Technology, Inc. (PST) business consists principally of the design and manufacture of specialized state-of-the-art high power solid-state amplifiers. PST markets its products to the U.S. Government, free world governments, prime contractors and subcontractors and original equipment manufacturers for systems employing microwave technology in electronic countermeasures, avionics, communications, radar and command, control, communications and intelligence (C3I) applications as well as electromagnetic interference (EMI), radio frequency interference (RFI), medical instrumentation (MRI/NMR) and laboratory instrumentation systems for industrial end use.

PST personnel's experience in designing and building state-of-the-art high power amplifiers spans more than two decades resulting in a unique, high quality and cost efficient product line.

In only its fourth year of operation, PST has emerged as an innovative quality supplier of technologically advanced RF solid-state high power amplifiers and related power processing equipment which replaces and upgrades equipment utilizing various tube systems. The PST microprocessor controlled high power amplifier product line spans the frequency range from 1 to 8000 MHz at power output levels from 1 to 10,000 watts.

Since inception PST has been continually expanding the scope and breadth of its product line. Concurrent with this expansion, PST has been broadening the market areas it serves. During the past year, new development brought the total product line to more than 250 different models.

Some of the major achievements and accomplishments this year included participation in the Desert Shield/Desert Storm campaigns by supplying 50-watt solid-state high power amplifier subsystems to Whittaker Electronics Corp. for incorporation into a state-of-the-art electronic countermeasures jamming system. This project, due to its urgency, was completed in a record eight weeks.

PST also supplied solid-state high power amplifiers to Thomson-CSF of France for incorporation into a communication jamming system to support the French Army during the Desert Shield/Desert Storm campaigns.

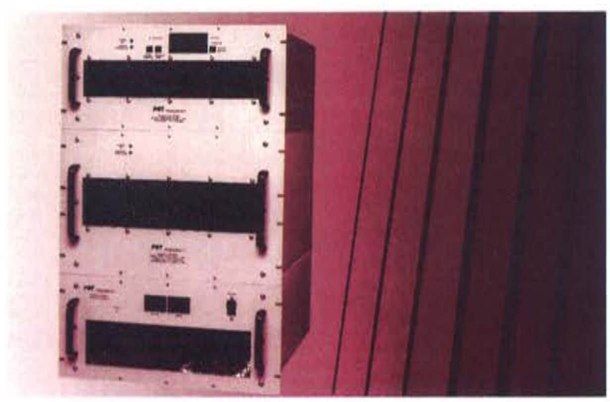
American Electronics Laboratory (AEL) selected PST for the supply of high power amplifiers for incorporation into the AN/FSQ-T22 Electronic Warfare Simulator. The AN/FSQ-T22 system is currently being installed at Mountain Home AFB, Idaho and will be used in the training of pilots and electronic warfare officers of the EFIIIA Fighter Aircraft. The system simulates enemy signals (threats) encountered by U.S. personnel in a battlefield environment.

Texcom Corp. selected PST to supply high power amplifiers for installation and integration into U.S. Army helicopter based systems used to simulate enemy electronic frequency jamming of communications by flying over a mock battlefield while transmitting radio frequency energy.

In the technology research sector, PST provided power amplifiers to Southern University Research Association's (SURA) Continuous Electron Beam Accelerator Facility (CEBAF) located in Newport News, Virginia. The amplifier is being used as a driver in a particle accelerator that accelerates electrically charged atomic or subatomic particles such as electrons, protons or ions, to high energy levels.

In the commercial business sector, PST supplied power amplifiers to automobile manufacturers such as Ford Motor Co., Toyota Motor Corp., and Mitsubishi Motor Co. as well as farm and construction equipment manufacturers such as John Deere Corp. for radio frequency interference (RFI) testing of their products. With the increasing use of sophisticated electronics in the control and monitoring of the internal combustion engine, multigeared transmissions and anti-lock breaking systems, among other devices, the manufacturers must increase the amount of RFI testing performed during the design and production processes to make sure that their products perform properly when operating within an RFI environment, such as an automobile would encounter when driving past a radio station's high power radio frequency transmitter. PST's power amplifiers are used as the final stages to amplify the power level of the test frequencies that radiate such products.

PST has been selected for a cover feature in the January 1992 issue of Microwaves and RF Magazine. This magazine is one of the most widely distributed publications in the microwave technology industry.

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Result of Operations

Fiscal Year 1991 Compared to Fiscal Year 1990

For the year ended July 31, 1991 the Company had sales of $18,333,000 and generated net income of $2,518,000, which included an extraordinary gain of $640,000 net of applicable income taxes, and $466,100 interest income from a tax refund. For the prior year, the Company had net income of $784,000 on sales of $18,215,000.

Sales have remained relatively consistent between the two fiscal years. However, sales attributable to Power Systems Technology, Inc. (PST) increased significantly in fiscal 1991 by 218% over the prior year, primarily as a result of increased orders and shorter lead time required for deliveries. A decrease in sales of approximately 58% was experienced by Comtech Microwave Corp. (CMC) due primarily to the curtailment of procurements by the federal government, which has historically been one of the subsidiaries largest customers.

The Company's cost of sales percentage decreased from 74% in fiscal 1990 to 69% in fiscal 1991. The decrease in fiscal 1991 over the prior fiscal year can be attributed to the fact that the shipments at PST had a higher volume and also had higher gross profits than shipments in the prior fiscal year. Also in November 1990, the Company settled a contract dispute. The effect of the settlement resulted in the reduction of cost of sales by the Company of approximately $348,000.

Selling, general and administrative expenses increased by $824,000 over the prior fiscal year. As a percentage of total sales, selling, general and administrative expenses was 24% in fiscal 1991 and 19% in fiscal 1990. The increase is attributed to increased sales commissions and increased selling expenses.

Research and development expenses increased from $136,000 in fiscal 1990 to $224,000 in fiscal 1991 due to the continued product development. As a percentage of sales, however, expenditures for both years remained at 1%.

Interest expense decreased to $137,000 in fiscal 1991 from $332,000 in fiscal 1990. The decreased interest expense is due to the retirement of a substantial portion of the long-term debt and repayment of the Company's short term borrowings.

Fiscal Year 1990 Compared to Fiscal Year 1989

For the year ended July 31, 1990 the Company had net income of $784,000 on sales of $18,215,000. For the prior year, the Company had a net loss of $612,000 on sales of $10,593,000, after reversing reserves and accruals aggregating $1,100,000 because management believed that such amounts were no longer necessary based on the current status of the specific contracts and disputes.

The increase in sales in fiscal 1990 compared with the year ended July 31, 1989 is attributed to the growth of PST, the realization during the year of contract completions which were delayed in 1989 and the shipment of orders booked later in 1989 than anticipated.

The Company's cost of goods sold as a percentage of sales increased from 72% in fiscal 1989 to 74% in fiscal 1990. This increase in fiscal 1990 is attributable to the fiscal 1989 reversal of $700,000 of reserves (a reduction to cost of sales) which were no longer considered necessary. Cost of sales in fiscal 1989 without the reversals, would have been 78% of sales. The decrease in fiscal 1990 versus 1989 can then be attributed to the larger gross profits realized on certain jobs (see below) and the efficiencies inherent in higher sales volume.

Selling, general and administrative expenses decreased $156,000 over the prior year, principally as the result of the Company's continued efforts to reduce expenses.

Research and development expenses decreased from $323,000 or 3% of net sales to $136,000 or 1% of net sales due to the completion of several new designs at PST.

The Company's profit of $784,000 for the year as compared to the net operating loss of $612,000 in fiscal 1989 is attributable to higher sales volume and the higher gross profits recognized on certain contracts in 1990 (including the sale of manufacturing drawings and rights).

Liquidity and Capital Resources

The Company's cash position has continued to improve in fiscal 1991 compared with prior years, because several of the Company's long-term contracts approached completion. These projects required significant cash outlays during their early stages. Although the Company received advance payments on these contracts, the initial deposits were used to collateralize performance bonds since the Company did not have an unsecured letter of credit facility. As the obligations under these contracts were fulfilled, payments for the shipments were received and the deposits referred to above were released to the Company. The Company anticipates that $219,000 of the collateral currently on deposit at July 31, 1991 will become available to it in the first half of fiscal 1992. During the first quarter of fiscal 1991, $1,303,000 of restricted funds became available to the Company because of the completion of one of its long-term contracts.

During the first quarter of fiscal 1991, the Company utilized approximately $2,000,000 of its cash to reduce its current and long-term debt. On September 27, 1990 the Company negotiated an agreement with Storage Technology Corporation ("STC") to settle a promissory note with a remaining balance of $1,372,000 owed by the Company to STC. Originally, the note was payable in quarterly installments of $125,000, including interest from May 1, 1989 through July 31, 1991, at which time the remaining unpaid principle balance would be due. The Company had made quarterly interest payments through July 31 1990. The agreement reached on September 27, 1990 provided for a payment of $686,000 plus interest of $22,000 on September 28, 1990 in full satisfaction of the obligation and the issuance of a warrant which entitles the holder to purchase 90,000 shares of the Company's common stock at a price of $7.50 per share. In October 1990 the Company repaid in full the $1,200,000 in borrowings under the secured short-term line of credit.

In March, 1991, the Company entered into a new secured credit facility with a financial institution. Under this new facility, which expires November 30, 1991, the Company has a $2,000,000 line of credit subject to certain terms and conditions. These terms provide that a portion of the line, up to $500,000, is available to the Company for working capital requirements. Use of the remaining balance of the line requires the bank's approval and may only be used to fund specific contracts. The interest rate on the line was set at 1% above the bank's alternate base rate which is, for any day, a rate per annum equal to the higher of (i) the Prime rate in effect on such day or (ii) the Federal Funds rate in effect on such day plus a ½%. The Company is also required to pay to the bank a facility fee of one quarter percent on the unused portion of the line. The Company did not need to utilize this facility during its fiscal year ended, July 31, 1991. Although the Company anticipates a continued positive cash flow during fiscal 1992, renewal of its credit facility with the bank may be necessary to meet its short-term working capital needs throughout the year.

In addition to the line of credit, the Company's cash flow position was further strengthened by the receipt of a tax refund, including interest, of $817,500. The refund represented certain tax adjustments which were made for claims submitted in 1986 for one of the Company's previously owned subsidiaries. The Company accounted for this refund by reducing its current year's tax provision by the refund amount of $351,400, and has included $466,100 as interest income.

SUMMARY SELECTED FINANCIAL DATA

(Dollars in thousands, except per share amounts)

	Year Ended July 31,				
	1991	1990	1989	1988	1987(1)
Net sales from continuing operations	**$18,333**	$18,215	$10,593	$15,770	$13,533
Operating earnings (loss) from continuing operations	**1,177**	1,022	(1,018)	761	362
Earnings (loss) from continuing operations, before extraordinary gain and provision for income taxes	**1,637**	809	(612)	577	346
Net income (loss)	**2,518**	784	(612)	2,296	3,877
Earnings (loss) per share (2)					
Earnings (loss) from continuing operations, before extraordinary gain	**1.54**	.64	(.50)	.50	.35
Extraordinary gain	**.52**	—	—	1.50	—
Discontinued operations	**—**	—	—	—	3.60
Net income (loss)	**2.06**	.64	(.50)	2.00	3.95
Total assets	**8,506**	13,562	8,804	9,410	15,652
Working capital (deficit)	**4,091**	1,282	1,081	1,171	(2,526)
Long-term debt, excluding current installments	**697**	720	1,675	908	1,361
Stockholders' equity (deficiency)	**4,705**	2,185	1,400	2,008	(1,394)

(1) Amounts have been restated to reflect Premier Microwave as a discontinued operation.
(2) Earnings per share data presented has been adjusted retroactively for the Company's 1 for 5 share reverse stock split.

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

CONSOLIDATED BALANCE SHEETS

	July 31, 1991	July 31, 1990
ASSETS		
Current assets:		
Cash (including restricted cash of $219,000 and $1,312,000 in 1991 and 1990, respectively)	**$ 424,000**	$ 4,445,000
Short term investments	**778,000**	—
Accounts receivable, less allowance for doubtful accounts of $143,000 in 1991 and $23,000 in 1990	**3,574,000**	2,855,000
Inventories, net	**2,240,000**	2,263,000
Advances to subcontractors	**—**	1,104,000
Prepaid expenses and other current assets	**116,000**	144,000
Total current assets	**7,132,000**	10,811,000
Property, plant and equipment, net	**1,294,000**	1,403,000
Other assets	**80,000**	1,348,000
Total assets	**$ 8,506,000**	$13,562,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	**$ 126,000**	$ 1,465,000
Notes payable to bank	**—**	1,200,000
Accounts payable	**794,000**	2,464,000
Accrued expenses and other current liabilities	**2,121,000**	4,400,000
Total current liabilities	**3,041,000**	9,529,000
Long-term debt, less current installments	**697,000**	720,000
Other liabilities	**63,000**	1,128,000
Commitments and contingencies (note 12)		
Stockholders' equity:		
Preferred stock, par value $.10 per share; shares authorized and unissued 2,000,000	**—**	—
Common stock, par value $.10 per share; authorized 4,000,000 shares in 1991 and 20,000,000 in 1990; issued and outstanding, 1,235,444 shares in 1991 and 6,174,221 shares in 1990 (note 10(a))	**124,000**	617,000
Additional paid-in capital	**14,787,000**	14,292,000
Accumulated deficit	**(10,026,000)**	(12,544,000)
	4,885,000	2,365,000
Less treasury stock (15,000 shares in 1991 and 75,000 shares in 1990)	**(180,000)**	(180,000)
	4,705,000	2,185,000
Total liabilities and stockholders' equity	**$ 8,506,000**	$13,562,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended July 31, 1991	1990	1989
Net sales	**$18,333,000**	$18,215,000	$10,593,000
Costs and expenses:			
Cost of sales	**12,567,000**	13,516,000	7,591,000
Selling, general and administrative	**4,365,000**	3,541,000	3,697,000
Research and development	**224,000**	136,000	323,000
	17,156,000	17,193,000	11,611,000
Operating earnings (loss)	**1,177,000**	1,022,000	(1,018,000)
Other expenses (income):			
Interest expense	**137,000**	332,000	293,000
Interest income	**(597,000)**	(119,000)	(277,000)
Other, net	**—**	—	(422,000)
Earnings (loss) before extraordinary gain and provision for income taxes	**1,637,000**	809,000	(612,000)
Provision (benefit) for income taxes	**(241,000)**	25,000	—
Earnings (loss) before extraordinary gain	**1,878,000**	784,000	(612,000)
Extraordinary gain, net of income taxes	**640,000**	—	—
Net income (loss)	**$ 2,518,000**	$ 784,000	$ (612,000)
Earnings (loss) per share:			
Earnings (loss) before extraordinary gain	**$ 1.54**	$ .64	$ (.50)
Extraordinary gain	**.52**	—	—
Net income (loss)	**$ 2.06**	$ .64	$ (.50)
Weighted average number of common shares outstanding	**1,220,000**	1,220,000	1,219,600

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	1991	1990	1989
		Years ended July 31,	
Cash flows from operating activities:			
Net earnings (loss)	**$ 2,518,000**	$ 784,000	$ (612,000)
Adjustments to reconcile net earnings (loss) to net cash (used in) provided by operating activities:			
Gain on extinguishment of debt	**(686,000)**	—	—
Depreciation and amortization	**328,000**	340,000	399,000
Provision for bad debts	**20,000**	—	—
Changes in assets and liabilities:			
Short term investments	**(778,000)**	—	—
Accounts receivable	**(739,000)**	(681,000)	493,000
Inventories	**23,000**	(216,000)	(913,000)
Advances to subcontractors	**1,104,000**	(1,104,000)	—
Prepaid expenses and other current assets	**28,000**	39,000	48,000
Other assets	**268,000**	(87,000)	(119,000)
Accounts payable	**(1,670,000)**	733,000	(815,000)
Accrued expenses and other current liabilities	**(2,279,000)**	3,581,000	(1,611,000)
Other liabilities	**(65,000)**	198,000	(20,000)
Net cash (used in) provided by operating activities	**(1,928,000)**	3,587,000	(3,150,000)
Cash flows from investing activities:			
Purchases of property, plant and equipment	**(219,000)**	(98,000)	(190,000)
Sale of property, plant and equipment	**—**	18,000	570,000
Net cash (used in) provided by investing activities	**(219,000)**	(80,000)	380,000
Cash flows from financing activities:			
Principal payments on long-term debt	**(676,000)**	(39,000)	(141,000)
Principal payments on short-term borrowings	**(1,200,000)**	(500,000)	1,700,000
Proceeds from issuance of common stock	**2,000**	1,000	4,000
Net cash (used in) provided by financing activities	**(1,874,000)**	(538,000)	1,563,000
Net (decrease) increase in cash and cash equivalents	**(4,021,000)**	2,969,000	(1,207,000)
Cash and cash equivalents at beginning of period	**4,445,000**	1,476,000	2,683,000
Cash and cash equivalents at end of period	**$ 424,000**	$ 4,445,000	$ 1,476,000
Supplemental cash flow disclosure:			
Cash paid during the period for:			
Interest	**$ 137,000**	$ 332,000	$ 293,000
Income taxes	**$ 131,000**	$ 27,000	$ 13,000

In fiscal 1991, 1990 and 1989, the Company purchased equipment financed by capital lease obligations amounting to $105,000, $45,000, and $20,000, respectively. In fiscal 1989, the Company also incurred a capital lease obligation of $840,000 on its facility in connection with a sale/leaseback transaction.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended July 31, 1991, 1990 and 1989

	Common stock		Additional paid-in capital	Accumulated deficit	Treasury stock		Stockholders' equity
	Shares	Amount			Shares	Amount	
Balance July 31, 1988	6,171,187	$617,000	$14,287,000	$(12,716,000)	75,000	$(180,000)	$2,008,000
Shares issued in connection with stock purchase agreement	6,600	1,000	3,000	–	–	–	4,000
Net loss	–	–	–	(612,000)	–	–	(612,000)
Balance July 31, 1989	6,177,787	618,000	14,290,000	(13,328,000)	75,000	(180,000)	1,400,000
Shares issued in connection with stock purchase agreement	3,100	–	2,000	–	–	–	2,000
Shares repurchased and retired	(6,666)	(1,000)	–	–	–	–	(1,000)
Net income	–	–	–	784,000	–	–	784,000
Balance July 31, 1990	6,174,221	617,000	14,292,000	(12,544,000)	75,000	(180,000)	2,185,000
Shares issued in connection with stock option agreement	600	–	2,000	–	–	–	2,000
One for five reverse stock split, January 8, 1991	(4,939,377)	(493,000)	493,000	–	(60,000)	–	–
Net income	–	–	–	2,518,000	–	–	2,518,000
Balance July 31, 1991	1,235,444	$124,000	$14,787,000	$(10,026,000)	15,000	$(180,000)	$4,705,000

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting and Reporting Policies

(a) Principles of Consolidation

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

(b) Nature of Business

The Company is engaged in the design, development, manufacture and installation, for commercial and government applications, of high technology communications and RF microwave related equipment.

(c) Revenue Recognition

Sales on long-term, fixed price contracts, including pro-rata profits, are generally recorded based on the relationship to total costs incurred to date to total projected final costs or, alternatively, as progress billings or deliveries are made. Sales under cost reimbursement contracts are recorded as costs are incurred. Sales on other long-term contract orders are recognized under the units of delivery method. Accordingly, sales are recorded as units are delivered with the cost of sales recognized on each shipment based upon costs incurred and the estimated final contract costs. Contract costs include material, direct labor, manufacturing overhead and other direct costs.

Retainages and estimated earnings in excess of amounts billed on certain multi-year programs are reported as unbilled receivables. Sales not associated with long-term contracts are generally recognized when the earnings process is complete, generally upon shipment or customer acceptance.

Provision for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

(d) Cash Equivalents

Cash equivalents include securities with initial maturities of three months or less and are carried at cost, which approximates market.

(e) Short Term Investments

Short term investments consist of highly liquid direct obligations of the United States Government with a maturity of more than three months when purchased. These investments are carried at cost, which approximates market.

(f) Inventories

Work in process inventory reflects all accumulated production costs, which are comprised of direct production costs and overhead, reduced by amounts attributable to units delivered. These inventories are reduced to their estimated net realizable value by a charge to cost of sales in the period such excess costs are determined.

Raw materials and components and work-in-process inventory associated with short-term contracts and purchase orders are stated at the lower of cost or market, computed on the first-in, first-out (FIFO) method.

(g) Depreciation and Amortization

The Company's plant and equipment, recorded at cost, are depreciated or amortized over their estimated useful lives (building and improvements - 40 years, equipment -three to eight years) under the straight line method. Capitalized values of properties under leases are amortized over the life of the lease or the estimated life of the asset, whichever is less.

(h) Research and Development Costs

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

(i) Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes" for financial reporting purposes. 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. At July 31, 1991 and 1990, 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.

(j) Earnings (Loss) Per Share

Earnings (loss) per share are based on the weighted average number of common and common equivalent shares (if dilutive) outstanding during each year (approximately 1,220,000, 1,220,000, and 1,219,600 in 1991, 1990 and 1989, respectively). 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. The weighted averages for 1990 and 1989 were adjusted retroactively for the Company's 1 for 5 share reverse stock split effective in January 1991 (note 10(a)).

(k) Reclassifications

Reclassifications are made to the prior years' financial statements wherever necessary to conform with the current year's presentation.

(2) Accounts Receivable

Accounts receivable consists of the following at July 31, 1991 and 1990:

	1991	1990
Accounts receivable from commercial customers	**$2,874,000**	$1,541,000
Unbilled receivables (including retainages) on contracts-in-progress	**597,000**	903,000
Amounts receivable from the United States Government and its agencies	**246,000**	434,000
	3,717,000	2,878,000
Less allowance for doubtful accounts	**143,000**	23,000
Accounts receivable, net	**$3,574,000**	$2,855,000

Substantially all of the unbilled balances will be billed and collected during fiscal 1992.

(3) Inventories

Inventories consist of the following at July 31, 1991 and 1990):

	1991	1990
Raw materials and components	**$ 338,000**	$ 593,000
Work-in-process	**2,185,000**	2,250,000
	2,523,000	2,843,000
Less:		
Progress payments	**236,000**	73,000
Inventory reserves	**47,000**	507,000
Inventories, net	**$2,240,000**	$2,263,000

(4) Property, Plant and Equipment

Property, plant and equipment consists of the following:

	1991	1990
Land	**$ 40,000**	$ 40,000
Buildings and improvements	**320,000**	320,000
Equipment	**7,079,000**	6,995,000
Leasehold improvements	**353,000**	353,000
Faciltiy financed by capital lease	**915,000**	915,000
	8,707,000	8,623,000
Less accumulated depreciation and amortization	**7,413,000**	7,220,000
	$1,294,000	$1,403,000

Depreciation and amortization expense on property, plant and equipment amounted to approximately $328,000, $340,000, and $399,000 for the years ended July 31, 1991, 1990 and 1989, respectively.

(5) Other Assets

Other assets consist of the following at July 31, 1991 and 1990.

	1991	1990
8½% note receivable, including accrued interest thereon, arising from the sale of the net assets of the Premier Microwave Division, net of allowance for doubtful notes and interest receivable	$ –	$1,170,000
Note receivable arising from the sale of the St. Cloud, Florida facility due in semi-annual installments through Septembert 1993	45,000	75,000
Other	35,000	103,000
	$80,000	$1,348,000

The 8½% note receivable arising from the sale of the net assets of the Premier Microwave Division ("Premier") has a due date of July 31, 1994. The note receivable is in default at July 31, 1991 (note 12(b)).

(6) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following at July 31, 1991 and 1990:

	1991	1990
Customer advances and deposits	$ 107,000	$2,859,000
Accrued wages and benefits	606,000	418,000
Accrued warranty	131,000	423,000
Provision for contract adjustments	453,000	601,000
Other	824,000	99,000
	$2,121,000	$4,400,000

(7) Notes Payable to Banks

The Company has a $2,000,000 facility, which expires November 30, 1991, with a financial institution secured by its personal property, as defined in the agreement. The interest rate under this facility is at 1% above the alternate base rate which is a rate per annum equal to the higher of the prime rate in effect on such day or the Federal Funds rate in effect on such day plus ½%. During fiscal 1991, the Company paid a facility fee equal to ¼% of the unused portion of the line. The line provides that $500,000 is available for working capital requirements. All other advances must be approved by the bank and be used exclusively to fund specific contracts. The Company did not utilize any amounts under this line in fiscal 1991. At July 31, 1991 the interest rate on this facility was 9½%.

At July 31, 1990, the Company had outstanding, $1,200,000 under the prior line of credit which was repaid in fiscal 1991.

(8) Long-Term Debt

Long-term debt consists of the following at July 31, 1991 and 1990:

	1991	1990
Promissory note payable to Storage Technology Corporation ("STC") (a)	$ –	$1,372,000
Obligations under capital leases (b)	823,000	813,000
	823,000	2,185,000
Less current installments	126,000	1,465,000
	$697,000	$ 720,000

(a) Promissory Note Payable to STC

The promissory note to STC was payable in quarterly payments of $125,000, including interest at the prime rate through July 1991, at which date the remaining balance was due. The Company pledged the common stock and assets of its wholly-owned subsidiary, Comtech Microwave Corp., to collateralize this note.

In September 1990, STC agreed to accept a cash payment of $708,000, including accrued interest of $22,000, in full satisfaction of the outstanding principal balance of approximately $1,372,000. As part of the settlement, the Company agreed to reissue a warrant which provides for the purchase of up to 90,000 shares of the Company's common stock for $7.50 per share. The warrant expires on September 26, 1995. For financial reporting purposes, no value was ascribed to this warrant. The Company recognized an extraordinary gain on this settlement in the amount of $640,000, net of applicable income taxes of $46,000.

(b) Capital Leases

The obligations under capital leases relate to the St. Cloud, Florida facility, as well as certain equipment, the net carrying value of which was $823,000 at July 31, 1991.

In September 1988, the Company sold, and simultaneously leased back, its St. Cloud, Florida facility for $600,000, comprised of $450,000 in cash and a $150,000 interest-bearing note. The buyer/lessor is a partnership in which one of the Company's former officers is a general partner. The $150,000 note provides for a five-year term with semi-annual installments of principal and interest, as defined. The lease is for a ten-year period and provides for annual rentals of approximately $147,000 for fiscal 1991, subject to annual adjustment. For financial reporting purposes, the effect of the transaction was immaterial to the financial position of the Company.

Scheduled maturities of long-term debt are $126,000 in 1992, $134,000 in 1993, $108,000 in 1994, $92,000 in 1995, $102,000 in 1996 and $261,000 thereafter.

(9) Income Taxes

Income tax (benefit) expense consist of the following:

	Year ended July 31, 1991	1990	1989
Federal	$ 35,000	$ –	$ –
State	75,000	25,000	–
Refund of Federal income taxes	(351,000)	–	–
	$(241,000)	$25,000	$ –

The difference between the Company's statutory tax rate and effective tax rate is as follows:

	1991 Amount	1991 Rate	1990 Amount	1990 Rate	1989 Amount	1989 Rate
Statutory tax rate	$ 557,000	34.0%	$ 275,000	34.0%	$ –	–
State and local income tax, net of Federal benefit	50,000	3.1	16,500	2.0	–	–
Tax rate differential due to carry-forward of net operating losses	(497,000)	(30.4)	(266,500)	(33.3)	–	–
Refund of prior year taxes	(351,000)	(21.4)	–	–	–	–
Effective tax rate (benefit)	$(241,000)	(14.7)%	$ 25,000	2.7%	$ –	–

At July 31, 1991, for financial and tax purposes, the Company has net operating loss carryforwards of approximately $13,381,000 and $11,141,000, respectively, which expire during the period 1997 to 2004. The difference between these two carryforward amounts is principally a result of certain provisions established for financial reporting purposes which are not currently deductible for income tax purposes. The Company also has general business tax credit carryforwards of approximately $400,000 at July 31, 1991 which expire through 2002.

During fiscal 1991, the Company received an income tax refund from the Internal Revenue Service of approximately $817,000 relating to certain tax adjustments made for one of the Company's previously owned subsidiaries. Accordingly, the Company recorded the income tax refund as a reduction of income tax expense of $351,000 and approximately $466,000 as interest income.

(10) Stockholders' Equity

(a) Reverse Stock Split
On January 8, 1991, an amendment to the Company's Certificate of Incorporation was approved and adopted to effect a 1 for 5 reverse stock split which provided that (i) each five outstanding shares of the Company's common stock was combined into one share and (ii) authorized shares of common stock was reduced to 4,000,000 shares from 20,000,000. The number of shares outstanding at January 8, 1991 of 6,174,221 was reduced to approximately 1,234,844 subject to adjustment for fractional shares. All references in the accompanying financial statements and notes thereto, relating to per share and shares data have been adjusted retroactively to reflect the stock split.

(b) 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 160,000 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, a difference between the aggregate market value and exercise price of outstanding SARs is considered compensation expense to the Company.

No compensation expense was incurred during any of the three years in the period ended July 31, 1991.

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 during fiscal 1990; however, warrants to purchase 1,000 shares of stock remained outstanding under the Plan, all of which were exercisable until January 31, 1991.

Directors' Option Plan - The 1987 Directors' Stock Option Plan provides for the granting of options to purchase up to 2,000 shares to each of the Company's four outside directors 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. At July 31, 1991, options to purchase 8,000 shares of the Company's common stock are outstanding.

Public Warrants - In February 1983, the Company sold 160,000 warrants in connection with the issuance of the 13% subordinated notes, which were redeemed in November 1987. Each warrant entitles the holder to purchase one share of the Company's common stock at a price of $55, subject to adjustment, until January 31, 1992. As of July 31, 1991, none have been exercised.

Warrant Held by STC - STC held a warrant to purchase 90,000 shares of the Company's common stock at an exercise price of $10.00 per share through March 8, 1990. No portion of this warrant was exercised. Subsequent to July 31, 1990, the warrant was reissued with the exercise price reduced to $7.50 per share and the expiration date extended to September 26, 1995 (note 8(a)). Shares purchased through the exercise of this warrant will contain restrictions on voting and transferability.

Warrant Sold to the Purchaser of Premier - As part of the sale of Premier's net assets, Comtech issued a warrant to purchase 100,000 shares of the Company's common stock at a price of $10.00 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, 1991. For financial reporting purposes, this warrant was valued at $50,000 (note 12(b)).

(c) Option and Warrant Activity
The follwing table sets forth summarized information concerning the Company's stock options and warrants:

	1991		1990	
	Number	**Exercise price range**	Number	Exercise price range
Options/warrants outstanding at the beginning of the fiscal year	**456,580**	**$2.50-55.00**	547,220	$2.50-55.00
Granted	**163,800**	**2.20-4.00**	8,600	3.15-4.05
Expired/cancelled/exercised	**(130,700)**	**2.50-7.95**	(99,240)	2.50-10.00
Options/warrants outstanding at the end of the fiscal year	**489,680**	**$2.20-55.00**	456,580	$2.50-55.00
Options/warrants exerisable at the end of the fiscal year	**410,540**	**$2.20-55.00**	323,456	$2.50-55.00
Options/warrants available for grant at the end of the fiscal year	**29,720**		24,420	

(d) Employee Stock Purchase Plan
The Company had an Employee Stock Purchase Plan under which 60,000 shares of the Company's authorized and unissued common stock had been reserved for issuance to eligible employees. Under the plan 620 shares of the Company's common stock were purchased in fiscal 1990. The Company terminated the plan in fiscal 1990.

(e) Postretirement Benefits Other Than Pensions
Statement of Financial Accounting Standards No. 106 "Employers Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106") is effective for fiscal years beginning after December 15, 1992. Under SFAS 106, the cost of postretirement benefits other than pensions must be recognized on accrual basis as employees perform services to earn benefits. Management believes the implementation of SFAS 106 will not have a material impact on the Company.

(11) Segment and Principal Customer Information

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

During fiscal 1991, 1990 and 1989, sales to a foreign customer from a contract-in-progress amounted to $584,000, $2,209,000 and $3,904,000 or 3%, 12% and 37% of consolidated net sales, respectively. Such contract is expected to be completed early in fiscal 1992. Sales to another major foreign customer in fiscal 1990 amounted to $4,025,000 or 22% of consolidated net sales. During the fiscal years ended July 31, 1991, 1990 and 1989, approximately 13%, 29% and 15%, respectively, of the Company's net sales resulted from contracts with United States Government agencies. Export sales comprised 45%, 42% and 42% of net sales in fiscal 1991, 1990 and 1989. Sales are made and credit is granted generally to the United States Government or to customers in the defense industry. The Company considers the credit risks associated with such customers to be minimal.

.) Commitments and Contingencies

(a) United States Government Contracts

Certain of the Company'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, it is management's belief that the final contract settlements will not have a material effect on the Company's consolidated financial condition.

(b) Litigation

The Company is subject to certain legal actions which arise out of the normal course of business. It is management's belief that outcome of these actions will not have a material effect on the Company's consolidated financial position.

Additionally, the Company, its chairman and president and former auditors' are co-defendants in litigation arising from the sale of Premier. The plaintiffs allege, among other actions, fraud, misrepresentation and breach of contract relating to the acquisition of Premier and seek compensation and punitive damages in excess of $10,000,000. The Company denies these allegations and intends to defend vigorously against this action.

In November 1990, the Company entered into a settlement agreement relating to a contract dispute. The Company's obligation was fully satisfied in exchange for a $200,000 cash payment. As a result, the Company recognized a gain of approximately $348,000, which has been recorded as a reduction of cost of sales in the accompanying statement of operations for the year ended July 31, 1991.

(c) Operating Leases

The Company is obligated under noncancellable operating lease agreements for equipment and manufacturing and office facilities. At July 31, 1991, the future minimum lease payments under operating leases are as follows:

1992	$53,000
1993	24,000
1994	18,000
1995	4,000
Thereafter	–
	$99,000

Rent expense charged to operations was $147,000, $151,000 and $268,000 in fiscal 1991, 1990 and 1989, respectively.

(d) Letters of Credit

The Company was contingently liable under the terms of letters of credit aggregating approximately $219,000 and $1,993,000 at July 31, 1991 and 1990, respectively, should it fail to perform in accordance with the terms of its contracts with foreign customers. At July 31, 1991, the $219,000 was collateralized by a money market account. At July 31, 1990, $1,312,000 was collateralized by certificates of deposit and the remaining amount was collateralized by subcontractor guarantees.

PRICE RANGE OF COMMON STOCK AND WARRANTS

The Company's common stock and warrants are traded in the over-the-counter market. 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 considers the value of the warrants to be negligible.

The following table sets forth representative quotations of the range of high and low closing bids for the common stock for the periods indicated 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 (1)	Low Bid (1)
Fiscal Year Ended 7-31-90		
First Quarter	4 1/16	2 1/2
Second Quarter	3 1/8	2 3/16
Third Quarter	2 13/16	2 3/16
Fourth Quarter	3 3/4	2 13/16
Fiscal Year Ending 7-31-91		
First Quarter	2 9/16	2 1/4
Second Quarter	2 3/16	1 3/4
Third Quarter	3 1/2	2 3/8
Fourth Quarter	4 3/8	3 5/8
Fiscal Year Ending 7-31-92		
First Quarter (Through October 17, 1991)	4 1/2	3 15/16

(1) Amounts adjusted to reflect the 1 for 5 reverse stock split effective on January 8, 1991.

As of October 17, 1991, the closing bid quotation of the common stock was $5.00 per share. The Company has approximately 1,600 holders of record of the Common Stock. No dividends were declared during any of the periods indicated.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management of Comtech Telecommunications Corp. is responsible for the preparation and integrity of the Consolidated Financial Statements and all other information, whether audited or unaudited, in this annual report. The financial statements have been prepared in accordance with generally accepted accounting principles and, where necessary, are based on management's best estimates and judgements. The financial information contained elsewhere in this annual report is consistent with that in the Consolidated Financial Statements.

Comtech Telecommunications Corp.'s independent auditors have been engaged to perform an audit of the Consolidated Financial Statements in accordance with generally accepted auditing standards and the auditors' report expresses their opinion as to the fair presentation of the Consolidated Financial Statements and conformity with generally accepted accounting principles.

Comtech Telecommunications Corp. maintains systems of internal controls that provide reasonable assurance that its accounting, administrative procedures and reporting practices are of the highest quality and integrity. Further, these systems provide reasonable assurance that assets are safeguarded and reliable financial records are maintained for preparing financial statements.

The Board of Directors' Audit Committee, which is composed entirely of directors who are not employees of Comtech Telecommunications Corp., periodically meets with the independent auditors and with management to discuss audit, internal accounting controls and financial reporting matters.

Fred Kornberg

Fred Kornberg
Chairman of the Board
and President

Gerard R. Nocita

Gerard R. Nocita
Vice President Finance,
Secretary and Treasurer

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated balance sheet of Comtech Telecommunications Corp. and subsidiaries as of July 31, 1991, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Comtech Telecommunications Corp. and subsidiaries as of July 31, 1991, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick

KPMG PEAT MARWICK

October 16, 1991
Jericho, New York

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

We have audited the accompanying consolidated balance sheet of Comtech Telecommunications Corp. and subsidiaries as of July 31, 1990 and the related consolidated statements of operations, cash flows and stockholders' equity for each of the two years in the period ended July 31, 1990. 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 the audit to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial position of Comtech Telecommunications Corp. and its subsidiaries at July 31, 1990 and the results of their operations and their cash flows for each of the two years in the period ended July 31, 1990 in conformity with generally accepted accounting principles.

Deloitte & Touche

DELOITTE & TOUCHE

October 12, 1990
Jericho, New York

Board of Directors

Fred Kornberg *(1) (4)*
Chairman

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

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

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

Richard L. Goldberg *(1)*
Partner, Proskauer Rose Goetz & Mendelsohn

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

Officers

Fred Kornberg
Chief Executive Officer and President

Gerard R. Nocita
Vice President Finance, Secretary & Treasurer

Michael Javits
Vice President;
President of Comtech Microwave Corp.

Annual Meeting

Stockholders are cordially invited to attend and participate in the Annual Meeting of Stockholders scheduled for Thursday, January 16, 1992 at 10:00 a.m. at:
Huntington Hilton
598 Broad Hollow Road (Route 110)
Melville, New York 11747
(516) 845-1000

Legal Counsel

Proskauer Rose Goetz & Mendelsohn
1585 Broadway
New York, New York 10036

Independent Auditors

KPMG Peat Marwick
One Jericho Plaza
Jericho, New York 11753

It is the policy of Comtech to support and practice the principle of Equal Opportunity Employment and not to discriminate against any employee or applicant for employment because of race, creed, color, religion, sex, national origin, ancestry, age, handicap, or because he or she is a disabled veteran.

Registrar & Transfer Agent

American Stock Transfer and Trust Company
40 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 Antenna Systems, Inc.
3100 Communications Road
St. Cloud, Florida 32769
(407) 892-6111

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.

Designed by Curran & Connors, Inc.

COMTECH
TELECOMMUNICATIONS CORP.
63 Oser Avenue
Hauppauge, New York 11788