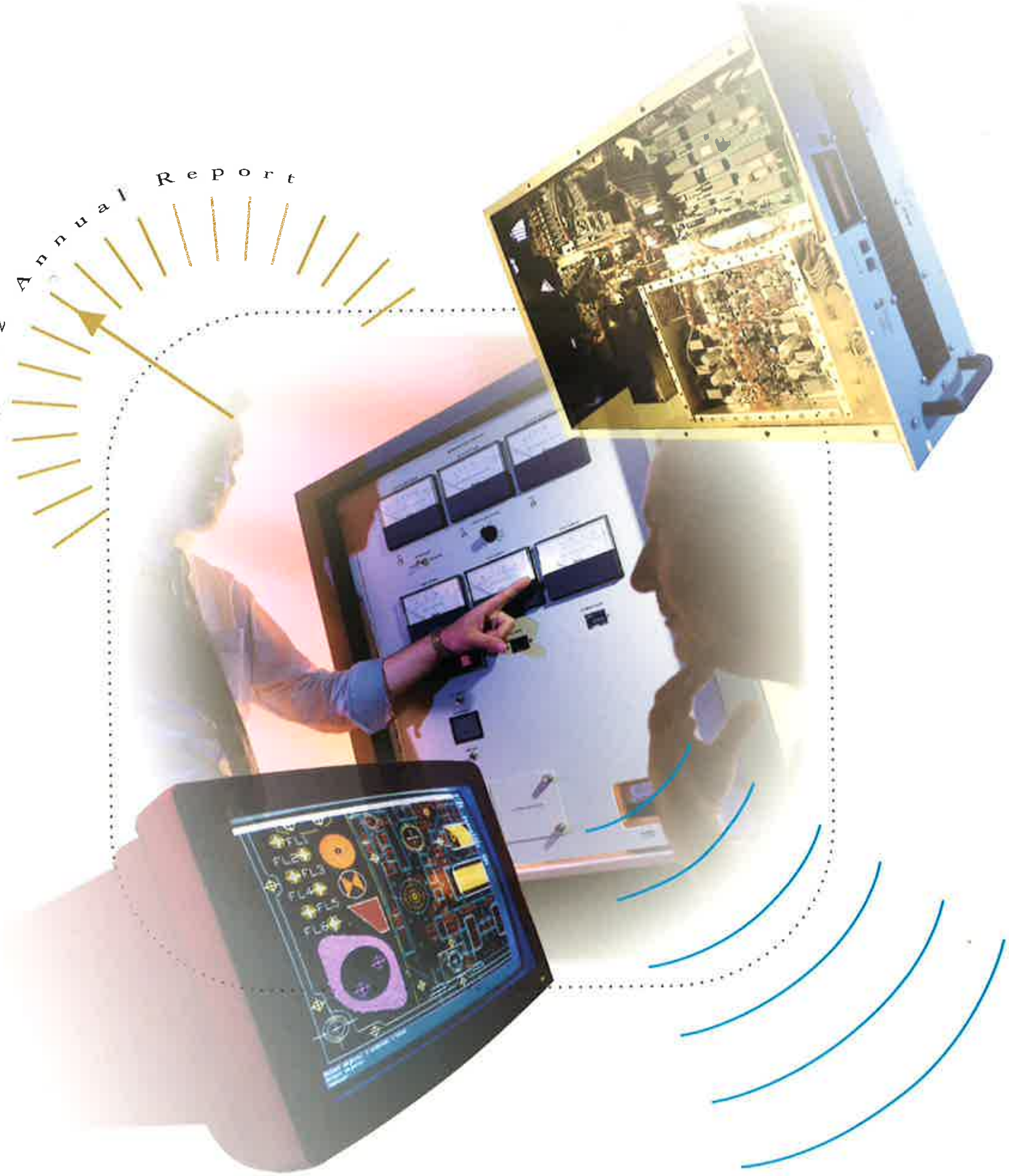
COMTECH TELECOMMUNICATIONS CORP.

1992 Annual Report



Celebrating

Our

Twenty-fifth

Anniversary

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., Comtech Systems International, Inc., Power Systems Technology, Inc. and Scientific Power Systems, Inc.

FINANCIAL HIGHLIGHTS

	Year Ended July 31,					
	1992	1991	1990	1989	1988	1987
Net Sales	**$19,434,000**	$18,333,000	$18,215,000	$10,593,000	$15,770,000	$13,533,000
Operating Income	**1,572,000**	1,177,000	1,022,000	(1,018,000)	761,000	362,000
Net Income	**1,293,000**	2,518,000	784,000	(612,000)	2,296,000	3,877,000
EPS - Continuing Operations	**1.03**	.87*	.64	(.50)	.50	.35
Working Capital	**4,935,000**	4,091,000	1,282,000	1,081,000	1,171,000	(2,526,000)
Long Term Debt - Capital Leases	**2,832,000**	697,000	720,000	772,000	13,000	63,000
Long Term Debt - Other	**—**	—	—	903,000	895,000	1,298,000
Stockholders' Equity	**5,999,000**	4,705,000	2,185,000	1,400,000	2,008,000	(1,394,000)
Book Value Per Share	**4.85**	3.81	1.77	1.13	1.63	(1.13)
Backlog	**13,393,000**	11,800,000	11,400,000	16,800,000	10,000,000	18,200,000
Orders Booked	**20,877,000**	18,733,000	12,815,000	18,098,000	$ 7,600,000	$17,700,000

**Excludes non-recurring and extraordinary items.*

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.

Earnings Per Share
ntinuing Operations)

• Excluding non-recurring and extraordinary items.

Sales
(in millions)

Operating Income
(in thousands)

Book Value
($ per share)

Comtech had a great 25th Anniversary year. With so much behind us and so much to look forward to, it is indeed a pleasure to report to you the progress made in the last 12 months.

First a recap of some of our most important achievements in 1992 --- achievements which I believe have added value to our company. These accomplishments are in several key areas --- financial growth, increased efficiency and profits, people and technological progress. Briefly put these are:

- **Growth in Operating Earnings** --- *34% increase over last year* *334% increase over last five years*
- **Growth in EPS** --- *18% increase over last year* *194% increase over last five years*
- **Growth in Equity**--- *28% increase over last year* *530% increase over last five years*
- **Elimination of all Long Term Debt** --- *free of such debt in last 3 years* *eliminated $11.5 million outstanding five years ago*

Comtech's turnaround is underscored by twelve consecutive profitable quarters and three years of financial improvements --- all the more satisfying in light of increased competition and the recession in key markets. Earnings moved upward, mainly from the combination of tight expense controls and solid revenues. Revenues grew with real potential for increased sales coming from the company's enhanced reputation and engineering and telecommunications expertise in the market niches we serve.

Our substantial progress reflects the dedication of our employees doing what we do best --- meeting the needs of our customers. And this has resulted in Comtech being recognized more and more as a provider of superior technology, products and engineering solutions to specific customer needs across a widening span of market segments.

It was also reflected in 1992's higher bookings as well as a larger number of requests for proposals. Increasingly, manufacturers and end-users are coming to Comtech for proposals at the same time as the company's product specifications are being called for in bids --- two clear signs of a supplier deepening its mark in an industry. Meanwhile, we are working on expanding our base of products, with improved versions, broadened lines and new generations.

We are also pleased to report that each of our operations achieved some special goals in fiscal 1992.

Comtech Antenna Systems, Inc. (CASI) expanded its marketplace and produced record sales, profits and bookings. A record number of Satellite Antenna Systems were delivered last year. We expect to to see solid results from CASI in fiscal 1993.

Five year old Power Systems Technology, Inc. (PST), has become a factor in High Performance Solid State High Power Amplifiers. PST delivered a microprocessor controlled 1000-watt VHF High Power Amplifier System covering 30-88 MHz for use in a simulated switchable communication jamming system application in France. The system has been performing flawlessly and we have high hopes, but no assurance, of course, that our customer's enthusiastic response will result in a major follow-on production order.

Comtech Systems, Inc. (CSI) completed a new Power Amplifier Power Control System which is being deployed in the North Sea Troposcatter System. This new technique reduces the chance of a tropo system interfering with other communication networks in the same operating area. As to new business, CSI welcomed the Peoples Republic of China to its growing list of customers with PRC's purchase of twenty sets of troposcatter equipment.

Comtech Microwave Corp. (CMC) has re-entered the satellite transmitter subsystems marketplace with an order from the National Oceanic and Atmospheric Administration. Newly developed products include S-band and C-band High Power Klystron Tube Amplifiers and X-band Frequency Converters.

A fifth business unit, Scientific Power Systems, Inc. (SPS) was formed in 1992 to supply systems that test for electromagnetic interference. While start-up, research and development, and other outlays for this business had an adverse impact on 1992 results, we believe that our entry into this sector is important to Comtech's future, and we expect to begin to see results from SPS in fiscal 1993.

As for the future, the prospects for companies in the microwave and telecommunications industries are exciting, --- and especially so for Comtech. A broadly experienced and severely tested management team is in place; we have quality products and systems flowing to market and our financial underpinning has certainly improved. We entered fiscal 1993 lean and focused, looking forward to working our way through this challenging business environment.

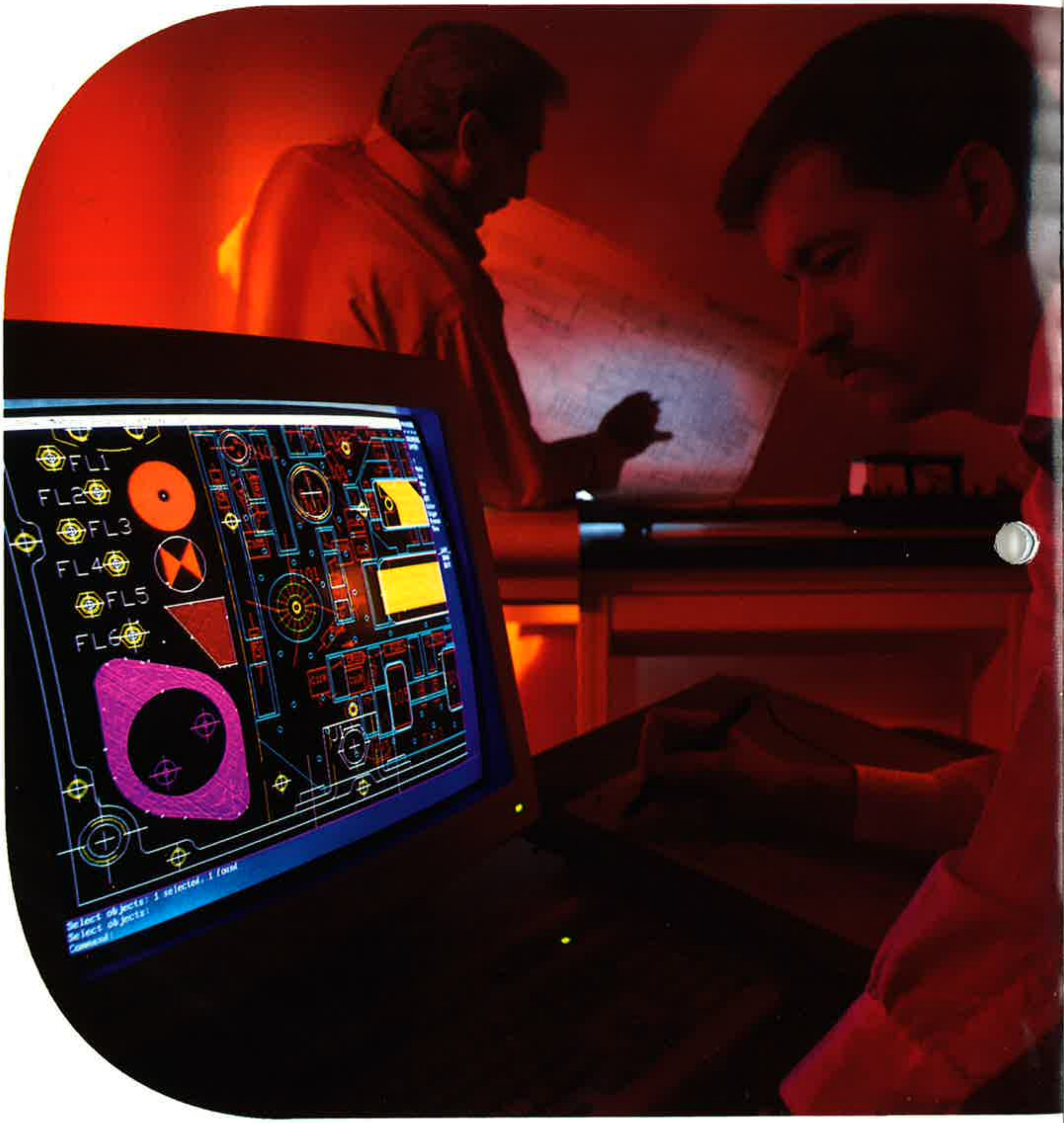
In sum, the Comtech story is quite impressive, in spite of changing and somewhat perilous times. And with the accomplishments of the past few years firmly in mind, the Comtech story has begun to be told anew, in part through a planned program of increased contacts with the investment community and its media. But more about this as we move through the year.

Part of the Comtech story, of course, has been the continuing support of Company shareholders and employees, a major asset we do not value lightly. Comtech is responsible to those who have invested in us --- and our goal is to achieve performance levels these investors desire and deserve.

To this end, *there is no doubt about it, Comtech is on the move!*

Fred Kornberg
Chairman of the Board

November 9, 1992



All operating units of Comtech utilize the latest software programs and computer hardware complements in support of computer aided engineering, design and manufacturing activities. From circuit analysis to printed circuit board layout and routing to antenna parabolic accuracy, the staff of Comtech is operating on the cutting edge of engineering and manufacturing technology.

Defining A Market Advantage Through Engineering And Manufacturing

For Comtech, revenue growth results from meeting customer's needs for product performance. Reliable continuous operation is critical in systems linking offshore oil rigs to land offices, distributing cable and broadcast signals from satellites, coordinating military actions, transmitting data between businesses, and the myriad of other daily uses of modern communications.

Comtech supplies key components involved in these systems, which transmit voice, video, data and facsimile at microwave frequencies, by sending the signals through satellites, bouncing them off the troposphere and by terrestrial line-of-site. The company designs and installs the systems, combining products from its business operating units and the products of other manufacturers. Comtech products and systems perform the vital string of functions in the communications process – sending and receiving the electrical signals, providing modulation, amplifying the signals for greater strength, reducing the effect of path distortion and noise and frequency converting the transmitted and received signals into the impulses carried along microwave radio frequencies.

Thus, major Comtech products include solid-state high power amplifiers, antennas, traveling wave and klystron tube amplifiers, low phase noise microwave frequency synthesizers and converters, phase resistant and adaptive modems, and microprocessors that provide automatic operation and enable remote control of the systems.

Comtech is building its reputation broadly in both commercial and government markets on the basis of four capabilities:

1. The inherent design, performance and quality of its products;
2. A focus on technology that enables the company to be steadily expanding the product development stream;
3. The ability to custom engineer and improve its products on a customer-by-customer basis in helping users to continuously upgrade performance and meet enhanced specifications; and
4. Manufacturing skills that assure product performance and dependability on a consistent basis.

Comtech Essentially Is An Engineering And Manufacturing Company.

Its reputation is growing internationally as reflected in recent orders, among others, from commercial customers in Europe, Asia and South America and from governments of emerging countries in Asia and South America. About half the company's revenues currently are being generated internationally.

The mix of commercial and government sales is healthy. Defense curtailments domestically are being offset by sales increases globally to build and improve national infrastructures. Some of the contracts over the last two years in the People's Republic of China, Malaysia, Brazil, England, France and Russia are examples.

In fact, Comtech is developing symbiotic relationships between government and commercial applications. Successful work for a foreign government agency led to an important commercial sale in the same country.

The quality of Comtech products is enabling commercial and government users to save money by meeting the exacting specifications with the company's off-the-shelf products. Comtech is a beneficiary of user attempts to reduce costs by buying off-the-shelf products whenever possible.

Subsidiaries Making Important Progress

Fortunately, Comtech's growing reputation is reflected in increased orders and opportunities. The number of first-time orders that can lead to additional business is rising. More proposals for substantial contracts were written in fiscal 1992 than in recent years. These augur well in prospects for future sales.

Comtech Antenna Systems, Inc. (CASI) filled orders for antennas prompted by the launching of a new Galaxy satellite. Two opportunities, developed over the last two years to increase sales, are starting to be realized: folding quick-erect umbrella type antennas to communicate with International Maritime Satellites (INMARSAT) and the lightweight Fly-Away Ku-Band antenna package that communicates with Domestic (DOMSAT) and International (INTELSAT) satellites for spot news coverage. Data and video news sources can take this Fly-Away "electronic suitcase" anywhere in the world to cover breaking stories or major events. Comtech has created the technology behind both of these antenna systems.

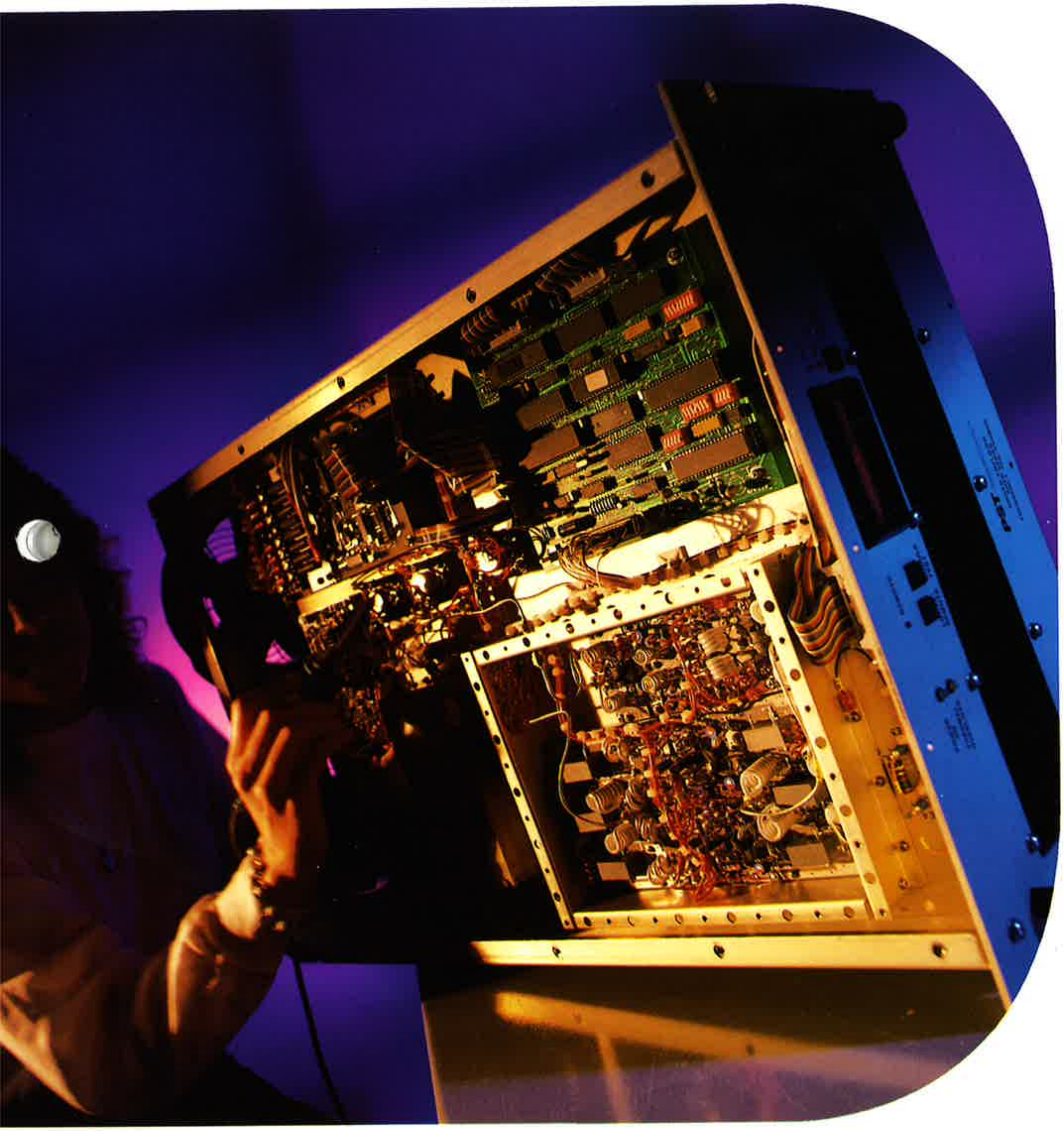
CASI also is advancing the new inclined orbital tracking antenna concept - a technology that permits satellites to wander in orbit to save on fuel and thus extend their lives, while still receiving and sending communications signals.

Comtech Systems, Inc. (CSI) continues to expand its presence in supplying the oil/gas industry with tropospheric scatter communication systems for coordinating exploration and production activities. These systems provide telephone, video and data links between land and off-shore platforms and in bridging rough terrain. Major contracts involve oil/gas projects in the North Sea and South China Sea. Helping win these contracts is Comtech's advanced digital technology, which offers high speed data and reliability benefits over traditional analog troposcatter systems. A recent example is an order CSI received to convert an analog system to digital technology in Australia.

While troposcatter systems currently constitute the bulk of CSI sales, the subsidiary is building its capabilities in satellite communications. Increasingly, developing nations will install satellite systems. The role of CSI as a systems integrator is in evidence in this endeavor. Products from each subsidiary are being incorporated into these systems, including Comtech proprietary software and microprocessors that control the systems.

Power Systems Technology, Inc. (PST) has become a market leader on the strength of its high-quality, high-power solid-state amplifiers that offer greater reliability in demanding situations involving cellular communications, electromagnetic compatibility (EMC) and susceptibility (EMS) testing, electronic warfare, intelligence-gathering and communications, command and control. Because they incorporate such important features as greater reliability, long-life, easy use and easy maintenance, PST solid-state amplifiers are replacing conventional tube units.

PST is extending its ability to serve commercial markets. In 1992, it introduced a broad-band 25-watt amplifier operating from 100 to 1000 megahertz and began supplying amplifiers for testing cellular telephone and other personal



The manufacturing processes employed throughout Comtech are of the highest standards in commercial production techniques. An example is laser photo plotting from magnetic media onto film which is then used for printed circuit board etching and equipment silkscreening to automated component insertion and computer driven precision machining. Much of the work done at Comtech is in radio frequency electronics assembly and wiring which utilizes components that require exact placement; for this, the human hand and eye are still required.

The increasing wide acceptance of Comtech products is the result of stringent quality assurance and customer education and support. The built-in quality and performance is a culmination of engineering, design, manufacturing and test procedures that meet the requirements of both U.S. government and commercial customers and the International Organization for Standards.

communications products. PST expanded its product line with new low phase noise microwave frequency synthesizers operating over S to Ku communication frequency bands.

Comtech Microwave Corp. (CMC) is one of the company's original businesses, meeting government contracts with products for satellite earth stations. CMC expanded its product line in 1992 with new X-band and S-band frequency converters and C-band and S-band high power klystron tube amplifiers.

Scientific Power Systems, Inc. (SPS) was formed in 1992 to market Comtech's new electromagnetic compatibility (EMC) and susceptibility (EMS) testing systems. New technology-based enhancements give the company a competitive advantage in this fast-growing market that is expected to reach over $700 million. Important components in the company's EMC/EMS testing systems include PST's solid-state high-power amplifiers and SPS's microprocessor-based control circuits which automate much of the testing procedures.

The enormous use of electronics makes electromagnetic interference a serious problem, both in commercial and military/defense applications – from computers, cellular phones, TV sets and all the electronic products in cars and aircraft to the risk of interference with sophisticated radar, communications and electronic warfare systems. Regulations are being planned or established by countries throughout the world forcing manufacturers to test various electronic systems for electromagnetic compatibility and susceptibility.

Building For The Future

Importantly, Comtech is creating opportunities by combining the capabilities of its subsidiaries. These synergies are being melded through Comtech Systems, Inc. in building communications systems that enable the company to attract broader market participation. Comtech is really five companies under one umbrella.

This melding of Comtech's extensive engineering and manufacturing experience yields numerous advantages. The interaction among its subsidiaries improves and extends the base technology, thus increasing its value to customers. Closer relationships are forged, and valuable knowledge is applied and gained. In addition, the subsidiaries become sources of revenue for each other. And, cost savings accrue, producing another competitive advantage.

Comtech believes it is in an excellent position to put the pieces together in building a cohesive international company focused on providing high quality products and systems for military and commercial telecommunication and electronic applications.

Moving ahead, the company has four major mandates;

1. Continue to emphasize its global capabilities;
2. Increase the momentum in combining product, engineering and manufacturing strengths within the company;
3. Keep the primary focus on satisfying customer needs; and
4. Invest wisely in programs with assured and quantifiable returns.

Result of Operations

Fiscal Year 1992 Compared to Fiscal Year 1991

For the year ended July 31, 1992, the Company had sales of $19,434,000 and generated net income of $1,293,000. For the prior year, the Company had sales of $18,333,000 and net income of $2,518,000, which included an extraordinary gain of $640,000 net of applicable income taxes; a $351,000 tax refund and $466,000 interest income on the tax refund. Operating income was $1,572,000 for fiscal 1992 and $1,177,000 for fiscal 1991.

Although the overall sales increase was 6%, export sales increased approximately 15%.

Operating income increased by $395,000 primarily as a result of the higher sales activity and a reduction in the Company's cost of sales percentage from approximately 69% in fiscal 1991 to approximately 68% in fiscal 1992.

Selling, general and administrative expenses in fiscal 1992 decreased by $103,000 from fiscal 1991. This decrease is due principally to decreased sales commissions. As a percentage of total sales; selling, general and administrative expenses were 22% in fiscal 1992 and 24% in fiscal 1991.

Research and development expenses increased from $224,000 in fiscal 1991 to $423,000 in fiscal 1992. This was due to increased costs for the development of new products and continued product enhancements.

Interest expense was $233,000 in fiscal 1992 and $137,000 in fiscal 1991. This increase is a result of the required accounting treatment of the lease for the facility in Melville, New York, as a capitalized lease which, stated generally, requires an allocation of the lease payment to interest and depreciation expenses. The lease was entered into in December 1991 for the new facility in Melville, New York.

Interest income for fiscal year 1992 was $77,000. Interest income for fiscal year 1991 was $597,000 which included $466,000 for interest received from a tax refund for a previously owned subsidiary.

The Company's effective tax rate was less than the statutory tax rate due to the utilization of net operating loss carryforwards available to the Company. The provision for income tax expense is principally made up of state and local income taxes.

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; a $351,000 tax refund; and $466,100 interest income on the tax refund. For the prior year, the Company had net income of $784,000 on sales of $18,215,000. Operating income was $1,177,000 for fiscal 1991 and $1,022,000 for fiscal 1990.

Sales were 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 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 were 24% in fiscal 1991 and 19% in fiscal 1990. The increase is attributable to increased sales commission and increased selling expenses.

Research and development expenses increased from $136,000 in fiscal 1990 to $224,000 in fiscal 1991 due to continued product development.

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 its short term borrowings.

Interest income in fiscal 1991 includes $466,000 of interest from the tax refund referred to in the Liquidity and Capital Resources section of this discussion.

Liquidity and Capital Resources

All of the Company's cash is invested in instruments maturing in 90 days or less. At July 31, 1992 $1,036,000 was restricted. Of this amount, $866,000 is being used to secure a letter of credit established to secure a down payment the Company received on one of its contracts. These funds will be released proportionately as shipments are made. It is expected that the entire amount will become available by the third quarter of fiscal 1993. The balance of the restricted cash of $170,000 is being used to collateralize a performance bond that was required to satisfy the conditions of another contract. This performance bond will expire in April 1993.

During the second quarter of fiscal 1992, $219,000 of cash that had been restricted at July 31, 1991 became available to the Company.

In January 1992, the Company entered into a new secured credit facility with a financial institution. Under this new facility, which expires November 30, 1992, 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, 1992. Although the Company anticipates a continued positive cash flow during fiscal 1993, renewal of its credit facility with the bank may be necessary to meet its short-term working capital needs throughout the year.

Selected Financial Data

	Year Ended July 31, (*in thousands except per share amounts*)				
	1992	1991	1990	1989	1988
Net sales	**$19,434**	$18,333	$18,215	$10,593	$15,770
Operating earnings (loss)	**1,572**	1,177	1,022	(1,018)	761
Earnings (loss) before extraordinary gain and provision for income taxes	**1,416**	1,637	809	(612)	577
Net income (loss)	**1,293**	2,518	784	(612)	2,296
Earnings (loss) per share (1)					
Earnings (loss) before extraordinary gain	**1.03**	1.54	.64	(.50)	.50
Extraordinary gain	**—**	.52	—	—	1.50
Net income (loss)	**1.03**	2.06	.64	(.50)	2.00
Total assets	**16,761**	8,506	13,562	8,804	9,410
Working capital	**4,935**	4,091	1,282	1,081	1,171
Long-term debt, excluding current installments	**2,832**	697	720	1,675	908
Stockholders' equity	**5,999**	4,705	2,185	1,400	2,008

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

(1) Earnings per share data presented has been adjusted retroactively for the Company's 1 for 5 share reverse stock split on January 8, 1991.

CONSOLIDATED BALANCE SHEETS

	July 31, 1992	July 31, 1991
ASSETS		
Current assets:		
Cash (including restricted cash of $1,036,000 and $219,000 in 1992 and 1991, respectively)	$ 1,434,000	$ 424,000
Short term investments	—	778,000
Accounts receivable, less allowance for doubtful accounts of $152,000 in 1992 and $143,000 in 1991	7,806,000	3,574,000
Inventories, net	3,522,000	2,240,000
Prepaid expenses and other current assets	103,000	116,000
Total current assets	12,865,000	7,132,000
Property, plant and equipment, net	3,809,000	1,294,000
Other assets	87,000	80,000
Total assets	$16,761,000	$ 8,506,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	340,000	126,000
Accounts payable	3,249,000	794,000
Accrued expenses and other current liabilities	4,341,000	2,121,000
Total current liabilities	7,930,000	3,041,000
Long-term debt, less current installments	2,832,000	697,000
Other liabilities	—	63,000
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; issued and outstanding, 1,235,844 shares in 1992 and 1,235,444 shares in 1991	124,000	124,000
Additional paid-in capital	14,788,000	14,787,000
Accumulated deficit	(8,733,000)	(10,026,000)
	6,179,000	4,885,000
Less treasury stock (15,000 shares in 1992 and 1991)	(180,000)	(180,000)
	5,999,000	4,705,000
Total liabilities and stockholders' equity	$16,761,000	$ 8,506,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended July 31,		
	1992	1991	1990
Net sales	**$19,434,000**	$18,333,000	$18,215,000
Costs and expenses:			
Cost of sales	**13,177,000**	12,567,000	13,516,000
Selling, general and administrative	**4,262,000**	4,365,000	3,541,000
Research and development	**423,000**	224,000	136,000
	17,862,000	17,156,000	17,193,000
Operating earnings	**1,572,000**	1,177,000	1,022,000
Other expenses (income):			
Interest expense	**233,000**	137,000	332,000
Interest income	**(77,000)**	(597,000)	(119,000)
Earnings before extraordinary gain and provision (benefit) for income taxes	**1,416,000**	1,637,000	809,000
Provision (benefit) for income taxes	**123,000**	(241,000)	25,000
Earnings before extraordinary gain	**1,293,000**	1,878,000	784,000
Extraordinary gain, net of income taxes	**—**	640,000	—
Net income	**$ 1,293,000**	$ 2,518,000	$ 784,000
Earnings per share:			
Earnings before extraordinary gain	**1.03**	1.54	.64
Extraordinary gain	**—**	.52	—
Net earnings per share	**$ 1.03**	$ 2.06	$ .64
Weighted average number of common and common equivalent shares outstanding	**1,256,000**	1,220,000	1,220,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended July 31,		
	1992	1991	1990
Cash flows from operating activities:			
Net earnings	**$ 1,293,000**	$ 2,518,000	$ 784,000
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Gain on extinguishment of debt	**—**	(686,000)	—
Depreciation and amortization	**411,000**	328,000	340,000
Provision for bad debts	**12,000**	24,000	—
Reserve for inventory	**53,000**	—	14,000
Changes in assets and liabilities:			
Short term investments	**778,000**	(778,000)	—
Accounts receivable	**(4,244,000)**	(743,000)	(681,000)
Inventories	**(1,335,000)**	23,000	(230,000)
Advances to subcontractors	**—**	1,104,000	(1,104,000)
Prepaid expenses and other current assets	**13,000**	28,000	39,000
Other assets	**(7,000)**	268,000	(87,000)
Accounts payable	**2,455,000**	(1,670,000)	733,000
Accrued expenses and other current liabilities	**2,220,000**	(2,279,000)	3,581,000
Other liabilities	**(63,000)**	(65,000)	198,000
Net cash provided by (used in) operating activities	**1,586,000**	(1,928,000)	3,587,000
Cash flows from investing activities:			
Purchases of property, plant and equipment	**(343,000)**	(95,000)	(71,000)
Sale of property, plant and equipment	**—**	—	18,000
Net cash used in investing activities	**(343,000)**	(95,000)	(53,000)
Cash flows from financing activities:			
Principal payments on long-term debt, net	**(234,000)**	(800,000)	(66,000)
Principal payments on short-term borrowings	**—**	(1,200,000)	(500,000)
Proceeds from issuance of common stock	**1,000**	2,000	1,000
Net cash used in financing activities	**(233,000)**	(1,998,000)	(565,000)
Net increase (decrease) in cash and cash equivalents	**1,010,000**	(4,021,000)	2,969,000
Cash and cash equivalents at beginning of period	**424,000**	4,445,000	1,476,000
Cash and cash equivalents at end of period	**$ 1,434,000**	$ 424,000	$ 4,445,000
Supplemental cash flow disclosure			
Cash paid during the period for:			
Interest	**$ 233,000**	$ 137,000	$ 332,000
Income taxes	**$ 88,000**	$ 131,000	$ 27,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended July 31, 1992, 1991 and 1990

	Common stock		Additional paid-in capital	Accumulated deficit	Treasury stock		Stockholders' equity
	Shares	Amount			Shares	Amount	
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
Shares issued in connection with stock option agreement	400	—	1,000	—	—	—	1,000
Net income	—	—	—	1,293,000	—	—	1,293,000
Balance July 31, 1992	1,235,844	$124,000	$14,788,000	$ (8,733,000)	15,000	$(180,000)	$5,999,000

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 radio frequency amplifier equipment.

(c) Revenue Recognition

Sales on long-term, fixed price contracts, including pro-rata profits, are generally recorded based on the relationship of 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 contract orders are recognized under the units of delivery method. Under this method, sales are recorded as units are delivered with the related cost of sales recognized on each shipment based upon a percentage of 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) 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.

(e) Statement of Cash Flows

In December 1991, the Company entered into a ten-year lease agreement for its corporate headquarters and Melville production facility. For financial reporting purposes, the Company has capitalized this lease at inception in the amount of $2,450,000, net of deferred interest of $1,345,000. Additionally, the Company acquired equipment financed by capital leases in the amounts of $133,000, $124,000 and $27,000 in 1992, 1991 and 1990, respectively.

(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, 1992 and 1991, 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.

In February 1992, the FASB issued Statement 109, also titled "Accounting for Income Taxes". Statement 109 is effective for years beginning after December 15, 1992 and earlier adoption is permitted. Statement 109 can be adopted by retroactively restating financial statements for any number of consecutive years before the effective date. In the earliest year restated, or in the year of adoption if no years are restated, the effect of initially applying this new pronouncement is reported as the cumulative effect of a change in accounting principle in the results of operations. The Company has not made a determination whether it will restate any prior years or adopt Statement 109 in fiscal 1994 on a prospective basis. The Company is presently evaluating the impact SFAS 109 will have on its financial position and results of operations.

(j) Earnings Per Share

Earnings per share are based on the weighted average number of common and common equivalent shares (if dilutive) outstanding during each year. The assumed exercise of warrants and options was not reflected in the computation for the years ended July 31, 1991 and 1990 because the impact of such assumed exercise would have been immaterial. The weighted average for 1990 was adjusted retroactively for the Company's 1 for 5 share reverse stock split effective in January 1991 (note 9(a)).

(k) Reclassifications

Certain reclassifications have been made to the prior period financial statements to conform to the 1992 presentation.

(2) Accounts Receivable

Accounts receivable consist of the following at July 31, 1992 and 1991:

	1992	1991
Accounts receivable from commercial customers	**$3,080,000**	$2,874,000
Unbilled receivables (including retainages) on contracts-in-progress	**4,625,000**	597,000
Amounts receivable from the United States Government and its agencies	**253,000**	246,000
	7,958,000	3,717,000
Less allowance for doubtful accounts	**152,000**	143,000
Accounts receivable, net	**$7,806,000**	$3,574,000

Substantially all of the unbilled balances will be billed and collected during fiscal 1993.

(3) Inventories

Inventories consist of the following at July 31, 1992 and 1991:

	1992	1991
Raw materials and components	$ 321,000	$ 338,000
Work-in-process	3,301,000	2,185,000
	3,622,000	2,523,000
Less:		
Progress payments	—	236,000
Inventory reserves	100,000	47,000
Inventories, net	$3,522,000	$2,240,000

(4) Property, Plant and Equipment

Property, plant and equipment consists of the following:

	1992	1991
Land	$ 40,000	$ 40,000
Buildings and improvements	320,000	320,000
Equipment	6,124,000	5,909,000
Leasehold improvements	481,000	353,000
Facilities financed by capital lease	3,365,000	915,000
Equipment financed by capital lease	1,303,000	1,170,000
	11,633,000	8,707,000
Less accumulated depreciation and amortization	7,824,000	7,413,000
	$3,809,000	$1,294,000

Depreciation and amortization expense on property, plant and equipment amounted to approximately $411,000, $328,000 and $340,000 for the years ended July 31, 1992, 1991 and 1990, respectively.

(5) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following at July 31, 1992 and 1991:

	1992	1991
Customer advances and deposits	$2,350,000	$ 107,000
Accrued wages and benefits	663,000	606,000
Provision for contract adjustments	520,000	502,000
Other	808,000	906,000
	$4,341,000	$2,121,000

(6) Line of Credit Facility

The Company has a $2,000,000 facility, which expires November 30, 1992, 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 1992 and 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 1992 and 1991. At July 31, 1992 the interest rate on this facility was 7%.

(7) Long-Term Debt

Long-term debt consists of the following at July 31, 1992 and 1991:

	1992	1991
Obligations under capital leases	$3,172,000	$ 823,000
Less current installments	340,000	126,000
	$2,832,000	$ 697,000

The obligations under capital leases relate to the St. Cloud, Florida and Melville, New York facilities, as well as certain equipment, the net carrying value of which was $3,248,000 at July 31, 1992.

Future minimum lease payments under capital leases as of July 31, 1992 are:

Years ending July 31,:	
1993	$ 629,000
1994	590,000
1995	543,000
1996	513,000
1997	513,000
Thereafter	1,831,000
Total minimum lease payments	4,619,000
Less amounts representing interest (at rates varying from 9.3 to 17.2%)	1,447,000
	3,172,000
Less current installments	340,000
Obligations under capital leases, net of current installments	$2,832,000

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 payable. 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 1992, subject to annual adjustment. For financial reporting purposes, the Company has capitalized this lease at inception in the amount of $840,000, net of deferred interest of $492,000.

In December 1991, the Company and a partnership controlled by the Company's Chairman and Chief Executive Officer entered into an agreement in which the Company leases from the partnership its corporate headquarters and Melville production facility. The lease is for a ten-year period and provides for annual rentals of approximately $379,000 subject to annual adjustments equal to the lesser of 5% or the change in the Consumer Price Index. For financial reporting purposes, the Company has capitalized this lease at inception in the amount of $2,450,000, net of deferred interest of $1,345,000. The outstanding balance at July 31, 1992 aggregated $2,362,000.

(8) Income Taxes

The provision (benefit) for income taxes consists of the following:

	Year ended July 31,		
	1992	1991	1990
Federal	$ 45,000	$ 35,000	$ —
State and local	78,000	75,000	25,000
Refund of Federal income taxes	—	(351,000)	—
	$123,000	$(241,000)	$25,000

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

	1992		1991		1990	
	Amount	Rate	Amount	Rate	Amount	Rate
Statutory tax rate	$ 481,000	34.0%	$ 557,000	34.0%	$ 275,000	34.0%
State and local income tax, net of Federal benefit	51,000	3.6	50,000	3.1	16,500	2.0
Tax benefit carryforward	(409,000)	(28.9)	(497,000)	(30.4)	(266,500)	(32.9)
Refund of prior year taxes	—	—	(351,000)	(21.4)	—	—
Effective tax rate (benefit)	$ 123,000	8.7%	$(241,000)	(14.7)%	$ 25,000	(3.1)%

At July 31, 1992, for financial and tax purposes, the Company has net operating loss carryforwards of approximately $9,897,000 and $9,437,000, respectively, which expire during the period 1999 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 $440,000 at July 31, 1992 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.

(9) 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 share 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 September 29, 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 years in the three-year period ended July 31, 1992.

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, 1992, 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. The warrants expired unexercised effective January 31, 1992.

Warrant Held by STC - STC held a warrant, pursuant to a debt agreement, 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. 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 and shares purchased through the exercise of this warrant contain restrictions in voting and transferability. For financial reporting purposes, no value was ascribed to this warrant. In fiscal 1991, the Company recognized an extraordinary gain on this settlement in the amount of $640,000, net of applicable income taxes of $46,000.

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. For financial reporting purposes, this warrant was valued at $50,000. The warrant expired unexercised on July 31, 1992.

(c) Option and Warrant Activity

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

	Number of shares	Option price range per share
Outstanding at July 31, 1989	547,220	$2.50-$55.00
Granted	8,600	3.15-4.05
Expired/cancelled/exercised	(99,240)	2.50-10.00
Outstanding at July 31, 1990	456,580	2.50-55.00
Granted	163,800	2.20-4.00
Expired/cancelled/exercised	(130,700)	2.50-7.95
Outstanding at July 31, 1991	489,680	2.20-55.00
Granted	16,940	4.25-5.19
Expired/cancelled/exercised	(260,400)	2.50-55.00
Outstanding at July 31, 1992	246,220	2.20-7.50
Options/warrants exercisable at July 31, 1992	177,624	2.20-7.50
Options/warrants available for grant at July 31, 1992	7,780	

Additionally, the Board of Directors has granted additional options for 19,860 shares to certain employees in fiscal 1992, pending shareholder approval.

(d) Restricted Common Stock

As part of an amended and restated employment agreement dated August 20, 1992, the Company agreed to sell 50,000 shares of its common stock, par value $.10 per share, to its president and chief executive officer at a purchase price of $.50 per share, subject to shareholder ratification. The market value of the Company's common stock at the date of grant was $4.25 per share. The employment agreement requires the forfeiture of these shares, if the recipient leaves the employ of the Company, as defined in the agreement, prior to August 31, 1997.

(10) 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 1992, 1991 and 1990, sales to two foreign customers amounted to $5,065,000, $605,000 and $2,209,000 or 26%, 3% and 12% of consolidated net sales, respectively. During the fiscal years ended July 31, 1992, 1991 and 1990, approximately 21%, 13% and 29%, respectively, of the Company's net sales resulted from contracts with the United States government and its agencies. Export sales comprised 52%, 45%, and 42% of net sales in fiscal 1992, 1991 and 1990.

(11) 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.

(12) 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 adverse 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 the outcome of these actions will not have a material adverse 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 its Premier Microwave Division. The plaintiffs allege, among other actions, fraud, misrepresentation and breach of contract relating to the acquisition of Premier and seek compensatory and punitive damages in excess of $10,000,000. In addition, the Company has asserted counterclaims against Premier for, among other actions, payment of the outstanding balance due the Company under a promissory note executed by Premier pursuant to the acquisition agreement. At July 31, 1992 and 1991, the 8½% note receiveable was in default and the outstanding balance, including accrued interest thereon, amounting to $1,340,000 and $1,255,000, respectively, was fully reserved. In March 1992, the Company moved for summary judgement dismissing the complaint for failure to commence the action in a timely manner. On October 8, 1992, the court denied the Company's motion. The Company denies the allegations of Premier 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 earnings 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, 1992, the future minimum lease payments under operating leases are as follows:

1993	$39,000
1994	31,000
1995	12,000
1996	7,000
Thereafter	—
	$89,000

Lease expense charged to operations was $130,000, $147,000 and $151,000 in fiscal 1992, 1991 and 1990, respectively.

(d) Letters of Credit

The Company was contingently liable under the terms of letters of credit aggregating approximately $1,036,000 and $219,000 at July 31, 1992 and 1991, respectively, should it fail to perform in accordance with the terms of its contracts with foreign customers. These amounts were collateralized by a money market account.

PRICE RANGE OF COMMON STOCK AND WARRANTS

The Company's common stock is 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 as reported on NASDAQ for the period August 1, 1991 through February 17, 1992 and thereafter the high and low sales price. Such prices do not include retail markups, markdowns, or commissions and with respect to the period August 1, 1991 through February 17, 1992, do not necessarily reflect actual transactions.

	Common Stock	
	High Bid (1)	Low Bid (1)
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	5 7/8	2 3/4
Second Quarter	5 1/4	3 7/8
Third Quarter	7 1/2	5
Fourth Quarter	6 1/8	4
Fiscal Year Ending 7-31-93		
First Quarter (Through October 15, 1992)	5 1/4	4

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

As of October 15, 1992, the closing sale quotation of the common stock was $4.75 per share. There were 1,538 holders of the Company's common stock. Such number of record owners was determined from the Company shareholders' records and does not include beneficial owners of the Company's common stock, which are held in the names of various security holders, dealers and clearing agencies.

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.:

We have audited the consolidated balance sheets of Comtech Telecommunications Corp. and subsidiaries as of July 31, 1992 and 1991 and the related consolidated statements of earnings, stockholders' equity and cash flows for the years 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 audits.

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 audits provide 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, 1992 and 1991, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick

KPMG PEAT MARWICK

Jericho, New York
October 26, 1992

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

We have audited the accompanying consolidated statements of operations, cash flows and stockholders' equity of Comtech Telecommunications Corp. and subsidiaries for the year 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 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Comtech Telecommunications Corp. and its subsidiaries for the year ended July 31, 1990 in conformity with generally accepted accounting principles.

Deloitte & Touche

DELOITTE & TOUCHE

October 12, 1990
Jericho, New York

CORPORATE DATA

Board of Directors

Fred Kornberg (1) (4)
Chairman

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

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

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

Richard L. Goldberg (1) (4)
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

Richard L. Burt
Vice President;
President of Comtech Systems, Inc.

Glenn Higgins
Vice President;
President of Comtech Antenna Systems, Inc.

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 Wednesday, January 20, 1993 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.
105 Baylis Road
Melville, New York 11747
(516) 777-8900

Operating Units

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

Comtech Microwave Corp.
105 Baylis Road
Melville, New York 11747
(516) 777-8900

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

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

Power Systems Technology, Inc.
105 Baylis Road
Melville, New York 11747
(516) 777-8900

Scientific Power Systems, Inc.
105 Baylis Road
Melville, New York 11747
(516) 777-8900

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.
105 Baylis Road
Melville, New York 11747
(516) 777-8900

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.
105 Baylis Road
Melville, New York 11747
TEL: (516) 777-8900 • FAX: (516) 777-8877