

**FOR IMMEDIATE RELEASE**

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**ANAREN REPORTS 1<sup>ST</sup> QUARTER RESULTS**

Syracuse, NY – Anaren, Inc. (NASDAQ: ANEN) today reported results for the first quarter ended September 30, 2003. Net sales from continuing operations for the quarter were \$18.3 million, down 5% from net sales of \$19.2 million for the first quarter of fiscal year 2003, and down 1% from net sales of \$18.5 million for the fourth quarter of fiscal 2003. Operating income for the first quarter was \$1.1 million, unchanged from the first quarter of last year, and up \$1.0 million sequentially from the fourth quarter of fiscal 2003. Income from continuing operations for the first quarter was \$1,197,000, or \$0.05 per diluted share compared to \$1.3 million, or \$0.06 per diluted share in the first quarter of fiscal 2003 and \$399,000, or \$0.02 per diluted share in the fourth quarter of fiscal 2003. Net income for the first quarter was \$1.8 million, or \$0.08 per diluted share compared to net income of \$146,000, or \$0.01 per diluted share for the first quarter of fiscal 2003 and a net loss of \$(3.5) million, or \$(0.16) per diluted share for the fourth quarter of fiscal 2003.

Lawrence A. Sala, Chairman and CEO said, “despite the anticipated decline in net sales, income from operations improved to 6% of net sales for the quarter. The improved operating profitability over the fourth quarter of fiscal 2003 was a direct result of the business and product line restructuring that we have accomplished over the last several quarters and the absence of restructuring charges in the first quarter.”

Effective for the first quarter ended September 30, 2003, the results of operations for Anaren Europe for both the current and prior year first quarters and the fourth quarter of fiscal 2003, including all sales and expenses, have been reclassified as discontinued operations in the income statements. Net income for the quarter included income from discontinued operations of \$587,000 due to a \$1.8 million tax benefit associated with the closure of Anaren Europe.

**Balance Sheet**

Cash, cash equivalents and marketable debt and equity securities at September 30, 2003 were \$126 million. In the first quarter, the company generated \$1.4 million in positive operating cash flow and repurchased 282,000 shares of its common stock for approximately \$3.3 million.

**Wireless Group**

In the Wireless Group, net sales for the quarter were \$11.5 million, down 3% from the first quarter of fiscal year 2003, and down 2.1% sequentially from the fourth quarter of fiscal 2003. Mr. Sala noted that, “the

decline in net sales from the fourth quarter is the result of our decision to eliminate unprofitable products where we were unable to establish a sustainable competitive advantage. We continue to capture design wins in both our standard component and custom assembly wireless product lines and believe that we are well positioned for growth in our Wireless Group.”

### **Space and Defense Group**

Space and Defense Group net sales for the quarter were \$6.7 million, down 8% from the first quarter of last year and relatively unchanged sequentially from the fourth quarter of fiscal 2003. Space and Defense new orders for the quarter totaled \$11.2 million resulting in a book-to-bill ratio of 1.67 to 1.0 for the quarter. New orders for the quarter included an award from Lockheed Martin for Passive Ranging Subsystems for the Aurora Incremental Modernization Project (AIMP) of Canada's fleet of CP-140 Aurora maritime-patrol aircraft. The Space and Defense backlog at September 30, 2003 was \$30.8 million, compared to \$26.3 million at June 30, 2003.

### **Discontinued Operations**

On July, 10, 2003, the company announced its decision to dispose of its Anaren Europe operation. During the first quarter, the company ceased production at Anaren Europe and liquidated substantially all of the assets of that operation. The results from discontinued operations for the first quarter ended September 30, 2003 include a loss on the sale of the manufacturing and office equipment of \$782,000 and a federal tax benefit of \$1.8 million related to the closure of Anaren Europe. It is anticipated that an additional \$600,000 to \$700,000 of expenses from discontinued operations will be incurred over the next 3 to 6 months.

### **Forward-Looking Statements**

The statements contained in this news release which are not historical information are “forward-looking statements”. These, and other forward-looking statements, are subject to business and economic risks and uncertainties that could cause actual results to differ materially from those discussed. The risks and uncertainties described below are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that are currently deemed immaterial may also impair our business operations. If any of the following risks actually occur, our business could be adversely affected, and the trading price of our common stock could decline, and you may lose all or part of your investment. Such factors include, but are not limited to: current unpredictable wireless market conditions; decline in demand for company products; order cancellations; increased pricing pressure from our customers; decreased capital expenditures by wireless service providers; the possibility that the company may be unable to successfully execute its business strategies or achieve its operating objectives, generate revenue growth or achieve profitability; successfully securing new design wins from our OEM customers, our ability to successfully finalize the shutdown of our Anaren Europe operations which may result in additional costs related to disposal of its assets, environmental clean-up, termination of Anaren Europe’s facility lease and other related issues; unpredictable difficulties or delays in the development of new products; the risks associated with any technological shifts away from the company’s technologies and core competencies; unanticipated impairments of assets including investment values and goodwill; foreign currency fluctuations; diversion of defense spending away from the company’s products and or technologies due to on-going military operations; and litigation involving our ownership interest in Celeritek or a potential transaction with Celeritek, or involving antitrust, intellectual property, product warranty, product liability, and other issues. You are encouraged to review Anaren’s 2003 Annual Report, Anaren’s Form 10-K

for the fiscal year ended June 30, 2003 and Anaren's Form 10-Q for the three months ended September 30, 2003 and exhibits to those Reports filed with the Securities and Exchange Commission to learn more about the various risks and uncertainties facing Anaren's business and their potential impact on Anaren's revenue, earnings and stock price. Unless required by law, Anaren disclaims any obligation to update or revise any forward-looking statement.

### **Conference Call**

Anaren will host a live teleconference, open to the public, on the Anaren Investor Info, Live Webcast Web Site (<http://www.anaren.com>) and ccbn.com at <http://www.streetevents.com> on Thursday, October 23, 2003 at 5:00 p.m. EDT. A replay of the conference call will be available at 8:00 p.m. (EDT) beginning October 23, 2003 through midnight October 26, 2003. To listen to the replay, interested parties may dial in the U.S. at 1-888-203-1112 and international at 1-719-457-0820. The access code is 732715. If you are unable to access the Live Webcast, the dial in number for the U.S. is 1-800-474-8920 and International is 1-719-457-2727.

### **Company Background**

Anaren designs, manufactures and sells complex microwave signal distribution networks and components for the wireless communications, satellite communications and defense electronics markets. For more information on Anaren's products, visit our Web site at [www.anaren.com](http://www.anaren.com).

Anaren, Inc. and Subsidiaries  
Consolidated Condensed Statements of Income  
(Unaudited)

	Three Months Ended		
	<u>Sept. 30, 2003</u>	<u>Sept. 30, 2002</u>	<u>June 30, 2003</u>
Net sales	\$18,270,673	\$19,197,817	\$18,484,189
Cost of sales	<u>12,311,778</u>	<u>13,008,271</u>	<u>12,848,536</u>
Gross profit	<u>5,958,895</u>	<u>6,189,546</u>	<u>5,635,653</u>
Operating expenses:			
Marketing	1,585,466	1,597,483	1,513,557
Research and development	1,421,782	1,401,061	1,422,212
General and administrative	1,838,399	2,140,563	2,104,724
Restructuring	<u>-</u>	<u>-</u>	<u>498,821</u>
Total operating expenses	<u>4,845,647</u>	<u>5,139,107</u>	<u>5,539,314</u>
Operating income	<u>1,113,248</u>	<u>1,050,439</u>	<u>96,339</u>
Other income (expense):			
Interest expense	(2,972)	(19,522)	(10,182)
Other, primarily interest income	<u>467,976</u>	<u>647,011</u>	<u>443,282</u>
Total other income, net	<u>465,404</u>	<u>627,489</u>	<u>433,100</u>
Income from continuing operations before income taxes	1,578,252	1,677,928	529,439
Income taxes	<u>381,000</u>	<u>378,000</u>	<u>130,456</u>
Income from continuing operations	1,197,252	1,299,928	398,983
Discontinued operations:			
Loss from discontinued operations of Anaren Europe	(1,213,345)	(1,483,722)	(4,041,158)
Income tax benefit	<u>(1,800,000)</u>	<u>(330,000)</u>	<u>(186,456)</u>
Income (loss) on discontinued operations	<u>586,655</u>	<u>(1,153,722)</u>	<u>(3,854,702)</u>
Net Income (loss)	<u>\$1,783,907</u>	<u>\$146,206</u>	<u>(3,455,719)</u>
Basic earnings per share:			
Income from continuing operations	\$0.05	\$0.06	\$0.02
Income (loss) from discontinued operations	<u>\$0.03</u>	<u>(\$0.05)</u>	<u>(\$0.18)</u>
Net income (loss)	<u>\$0.08</u>	<u>\$0.01</u>	<u>(\$0.16)</u>
Diluted earnings per share:			
Income from continuing operations	\$0.05	\$0.06	\$0.02
Income (loss) from discontinued operations	<u>\$0.03</u>	<u>(\$0.05)</u>	<u>(\$0.18)</u>
Net income (loss)	<u>\$0.08</u>	<u>\$0.01</u>	<u>(\$0.16)</u>
Shares used in computing net income per share:			
Basic	<u>21,757,734</u>	<u>22,331,289</u>	<u>21,996,915</u>
Diluted	<u>22,352,927</u>	<u>22,811,612</u>	<u>21,996,915</u>

Anaren, Inc. and Subsidiaries  
Consolidated Condensed Statements of Income  
(Unaudited)

	Three Months Ended		
	<u>Sept. 30, 2003</u>	<u>Sept. 30, 2002</u>	<u>June 30, 2003</u>
Net sales	100.0%	100.0%	100.0%
Cost of sales	<u>67.4%</u>	<u>67.8%</u>	<u>69.5%</u>
Gross profit	<u>32.6%</u>	<u>32.2%</u>	<u>30.5%</u>
Operating expenses:			
Marketing	8.7%	8.3%	8.2%
Research and development	7.8%	7.3%	7.7%
General and administrative	10.0%	11.1%	11.4%
Restructuring	<u>0.0%</u>	<u>0.0%</u>	<u>2.7%</u>
Total operating expenses	<u>26.5%</u>	<u>26.7%</u>	<u>30.0%</u>
Operating income	<u>6.1%</u>	<u>5.5%</u>	<u>0.5%</u>
Other income (expense):			
Interest expense	(0.0%)	(0.1%)	(0.1%)
Other, primarily interest income	<u>2.6%</u>	<u>3.4%</u>	<u>2.4%</u>
Total other income (expense), net	<u>2.6%</u>	<u>3.3%</u>	<u>2.3%</u>
Income from continuing operations before income taxes	8.7%	8.8%	2.8%
Income taxes	<u>2.1%</u>	<u>2.0%</u>	<u>0.7%</u>
Income from continuing operations	6.6%	6.8%	2.1%
Discontinued operations:			
Income (loss) from discontinued operations of Anaren Europe, net of income tax benefit of \$1,800,000, \$330,000 and 0, respectively	<u>3.2%</u>	<u>(6.0%)</u>	<u>(20.8%)</u>
Net income (loss)	<u>9.8%</u>	<u>0.8%</u>	<u>(18.7%)</u>

Anaren, Inc.  
Consolidated Condensed Balance Sheets  
(Unaudited)

	<u>Sept. 30, 2003</u>	<u>June 30, 2003</u>
Assets:		
Cash, cash equivalents and short-term investments	\$93,990,403	\$104,328,938
Accounts receivable, net	10,655,163	9,317,941
Other receivables	4,887,733	1,699,409
Inventories	15,250,744	15,671,659
Other current assets	<u>2,296,634</u>	<u>2,367,341</u>
Total current assets	127,080,677	133,385,288
Net property, plant and equipment	21,244,637	23,639,821
Marketable debt securities	31,830,102	23,394,382
Goodwill	30,715,861	30,715,861
Other intangibles	<u>1,828,540</u>	<u>1,953,424</u>
Total assets	<u>\$212,699,817</u>	<u>\$213,088,776</u>
Liabilities and stockholders' equity		
Liabilities:		
Accounts payable	\$4,556,868	\$4,380,459
Accrued expenses	2,111,987	2,477,670
Other liabilities	<u>688,353</u>	<u>292,128</u>
Total current liabilities	7,357,208	7,150,257
Other non-current liabilities	<u>5,427,348</u>	<u>5,341,114</u>
Total liabilities	12,784,556	12,491,371
Stockholders' equity:		
Retained earnings	45,074,050	43,290,143
Common stock and additional paid-in capital	168,924,633	168,680,383
Accumulated comprehensive loss	(590,619)	(1,216,961)
Less cost of treasury stock	<u>(13,492,803)</u>	<u>(10,156,160)</u>
Total stockholders' equity	<u>199,915,261</u>	<u>200,597,405</u>
Total liabilities and stockholders' equity	<u>\$212,699,817</u>	<u>\$213,088,776</u>

ANAREN, INC. AND SUBSIDIARIES  
Consolidated Condensed Statements of Cash Flows  
Three Months Ended  
September 30, 2003 and 2002  
(Unaudited)

Cash flows from operating activities:	<u>2003</u>	<u>2002</u>
Net income	\$1,783,907	\$ 146,206
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	997,964	1,182,230
Loss on sale of equipment	782,289	-
Amortization of intangibles	124,885	124,885
Provision for doubtful accounts	(10,148)	-
Deferred income taxes	38,100	(298,442)
Unearned compensation	71,550	159,177
Changes in operating assets and liabilities	<u>(2,375,313)</u>	<u>820,585</u>
Net cash provided by operating activities	<u>1,413,234</u>	<u>2,134,641</u>
Cash flows from investing activities:		
Capital expenditures	(878,447)	(2,116,052)
Net maturities of marketable debt and equity securities	<u>(22,553)</u>	<u>4,156,029</u>
Net cash used in investing activities	<u>(901,000)</u>	<u>2,039,977</u>
Cash flows from financing activities:		
Stock options exercised	172,701	-
Purchase of treasury stock	<u>(3,336,643)</u>	<u>(593,700)</u>
Net cash used in financing activities	<u>(3,163,942)</u>	<u>(593,700)</u>
Effect of exchange rates	12,274	(75,328)
Net decrease in cash and cash equivalents	<u>(2,639,434)</u>	<u>3,505,590</u>
Cash and cash equivalents at beginning of period	<u>11,062,662</u>	<u>12,565,424</u>
Cash and cash equivalents at end of period	<u>\$8,423,228</u>	<u>\$ 16,071,014</u>