



**October 27, 2005**

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### **ANAREN REPORTS 1ST QUARTER RESULTS**

Syracuse, NY – Anaren, Inc. (NASDAQ: ANEN) today reported net sales for the first quarter ended September 30, 2005 were \$24.6 million, down 1% from the first quarter of fiscal year 2005, and up 2% sequentially from the fourth quarter of fiscal 2005.

Net income for the first quarter was \$2.3 million, or \$0.13 per diluted share including \$834,000 or \$0.04 per diluted share in equity based compensation expense as required by Statement of Accounting Standard 123R (SFAS 123R). This compares to net income of \$2.0 million, or \$0.10 per diluted share for the first quarter of fiscal 2005 and \$2.6 million, or \$0.14 per diluted share, for the fourth quarter of fiscal 2005. Net income for the first and fourth quarters of fiscal 2005 included no equity based compensation expense. Net income for the first quarter of fiscal 2006 before equity based compensation expenses was \$3.0 million, or \$0.17 per diluted share.

The effective tax rate for the first quarter of fiscal 2006 was 23.3%, compared to 27.0% for the first quarter of fiscal 2005 and 15.2% for the fourth quarter of fiscal 2005.

Operating income for the first quarter was \$2.4 million, or 9.6% of net sales, including \$834,000, or 3.4% of net sales, in equity based compensation expense, unchanged from the first quarter of last year, and down \$194,000, or 7.6% from the fourth quarter of fiscal 2005. Operating income for both the first and fourth quarters of fiscal 2005 included no equity based compensation expense. Operating income for the first quarter of fiscal 2006 before equity based compensation expenses was 13% of net sales.

Lawrence A. Sala, Anaren's President and CEO said, "Continued growth in the Space and Defense Group as well as sequential growth in wireless consumer component demand resulted in improved net sales for the quarter. The increase in net sales, operating efficiency improvements completed in fiscal 2005, and a favorable product mix all had a positive impact on our profitability for the quarter."

#### **Balance Sheet**

Cash, cash equivalents and marketable debt securities at September 30, 2005 were \$79.6 million. During the quarter, the Company generated \$3.1 million in cash from operations, repurchased 352,274 shares of its common stock for \$4.9 million and expended \$848,000 on capital additions.

## **Wireless Group**

Wireless Group net sales for the quarter were \$16.4 million, down 8% from the first quarter of last year, and up 1% sequentially from the fourth quarter of fiscal 2005. The increase in wireless net sales from the fourth quarter was the result of increased sales of consumer component and custom assembly products. Sales of consumer component products increased 140% sequentially from the fourth quarter to \$1.3 million. This growth was driven by increased demand from satellite television low noise block amplifier applications. In addition, as in the fourth quarter, a substantial percentage of resistive product sales came as the result of fulfilling shipments that had been delayed due to the consolidation of our RF Power and Amitron subsidiaries. Resistive product deliveries were relatively current at the end of the first quarter. Customers that exceeded 10% of Wireless Group net sales for the quarter were Nokia Corp. and Motorola, Inc.

Wireless Group research and development spending increased during the first quarter as a result of increased consumer and ferrite component development activity.

## **Space and Defense Group**

Space and Defense Group net sales for the quarter were \$8.2 million, up 15% from the first quarter of fiscal 2005, and up 4% sequentially from the fourth quarter. New orders for the quarter totaled \$11.1 million resulting in a book to bill ratio of 1.35 to 1.0. Orders for the quarter included contracts for shipborne jammer, missile receiver, and airborne passive ranging applications. Space and Defense backlog at September 30, 2005 was \$50.4 million, up 6% from \$47.5 million at June 30, 2005.

## **Outlook**

Given the current volatile wireless market demand and our Space and Defense order backlog, we expect net sales to be in the range of \$23.5 - \$25.0 million for the second quarter of fiscal 2006. With an anticipated tax rate of approximately 23% and an expected equity based compensation expense of approximately \$0.04 per diluted share, we expect net earnings per diluted share to be in the range of \$0.09 - \$0.12 for the second quarter.

## **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 risks and uncertainties 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 known factors include, but are not limited to: the Company's ability to timely ramp up to meet some of our customers' increased demands; unanticipated delays and/or difficulties associated with effectively operating the Company's recently consolidated Anaren Ceramics subsidiary; unanticipated delays in successfully completing customer orders within contractually required timeframes; 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 expectations; successfully securing new design wins from our OEM customers, reliance on a limited number of key component suppliers, unpredictable difficulties or delays in the development of new products; order cancellations or extended postponements; 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; diversion of defense spending away from the Company's products and or technologies due to on-going military operations; and litigation involving antitrust, intellectual property, environmental, product warranty, product liability, and other issues. You are encouraged to review Anaren's 2005 Annual Report, Anaren's Form 10-K for the fiscal year ended June 30, 2005 and Anaren's Form 10-Q for the three months ended September 30, 2005 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 27, 2005 at 5:00 p.m. EDT. A replay of the conference call will be available at 8:00 p.m. (EDT) beginning October 27, 2005 through midnight October 31, 2005. 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 6415703. If you are unable to access the Live Webcast, the dial in number for the U.S. is 1-800-262-1292 and International is 1-719-457-2680.

### **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.  
Consolidated Condensed Statements of Income  
(Unaudited)

|   | Three Months Ended    |                       |
|---|-----------------------|-----------------------|
|   | <u>Sept. 30, 2005</u> | <u>Sept. 30, 2004</u> |
| Sales   | \$24,614,358          | \$24,907,357          |
| Cost of sales                                     | <u>15,959,912</u>     | <u>17,016,539</u>     |
| Gross profit                                      | 8,654,446             | 7,890,818             |
| Costs and expenses                                |                       |                       |
| Marketing   | 1,768,079             | 1,776,645             |
| Research and development                          | 2,034,641             | 1,645,077             |
| General and administrative                        | <u>2,492,310</u>      | <u>2,102,185</u>      |
| Total operating expenses                          | 6,295,030             | 5,523,907             |
| Operating income                                  | <u>2,359,416</u>      | <u>2,366,911</u>      |
| Other income (expense)                            |                       |                       |
| Other income, primarily interest                  | 587,744               | 353,058               |
| Interest expense                                  | <u>(6,143)</u>        | <u>(5,805)</u>        |
| Total other income (expense)                      | <u>581,601</u>        | <u>347,253</u>        |
| Income before income tax                          | 2,941,017             | 2,714,164             |
| Income taxes                                      | <u>687,000</u>        | <u>733,000</u>        |
| Net income  | <u>\$2,254,017</u>    | <u>\$1,981,164</u>    |
| Basic earnings per share                          | <u>\$0.13</u>         | <u>\$0.10</u>         |
| Diluted earnings per share                        | <u>\$0.13</u>         | <u>\$0.10</u>         |
| Shares used in computing net income<br>per share: |                       |                       |
| Basic   | <u>17,402,270</u>     | <u>20,144,447</u>     |
| Diluted   | <u>17,936,051</u>     | <u>20,678,163</u>     |

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

|                                  | Three Months Ended |                |
|----------------------------------|--------------------|----------------|
|                                  | Sept. 30, 2005     | Sept. 30, 2004 |
| Net sales                        | 100.0%             | 100.0%         |
| Cost of sales                    | <u>64.8%</u>       | <u>68.3%</u>   |
| Gross profit                     | <u>35.2%</u>       | <u>31.7%</u>   |
| Operating expenses:              |                    |                |
| Marketing                        | 7.2%               | 7.1%           |
| Research and development         | 8.3%               | 6.6%           |
| General and administrative       | <u>10.1%</u>       | <u>8.5%</u>    |
| Total operating expenses         | <u>25.6%</u>       | <u>22.2%</u>   |
| Operating income                 | <u>9.6%</u>        | <u>9.5%</u>    |
| Other income (expense):          |                    |                |
| Other, primarily interest income | 2.4%               | 1.4%           |
| Interest expense                 | <u>0.0%</u>        | <u>0.0%</u>    |
| Total other income, net          | <u>2.4%</u>        | <u>1.4%</u>    |
| Income before income taxes       | 12.0%              | 10.9%          |
| Income taxes                     | <u>2.8%</u>        | <u>2.9%</u>    |
| Net income                       | <u>9.2%</u>        | <u>8.0%</u>    |

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

|   | Three Months Ended    |                       |                      |
|---|-----------------------|-----------------------|----------------------|
|   | <u>Sept. 30, 2005</u> | <u>Sept. 30, 2004</u> | <u>June 30, 2005</u> |
| Net sales   | \$24,614,358          | \$24,907,357          | \$24,120,268         |
| Cost of sales                                     | <u>15,959,912</u>     | <u>17,016,539</u>     | <u>16,054,707</u>    |
| Gross profit                                      | <u>8,654,446</u>      | <u>7,890,818</u>      | <u>8,065,561</u>     |
| Operating expenses:                               |                       |                       |                      |
| Marketing   | 1,768,079             | 1,776,645             | 1,707,082            |
| Research and development                          | 2,034,641             | 1,645,077             | 1,620,284            |
| General and administrative                        | <u>2,492,310</u>      | <u>2,102,185</u>      | <u>2,184,577</u>     |
| Total operating expenses                          | <u>6,295,030</u>      | <u>5,523,907</u>      | <u>5,511,943</u>     |
| Operating income                                  | <u>2,359,416</u>      | <u>2,366,911</u>      | <u>2,553,618</u>     |
| Other income (expense):                           |                       |                       |                      |
| Other, primarily interest income                  | 587,744               | 353,058               | 507,977              |
| Interest expense                                  | <u>(6,143)</u>        | <u>(5,805)</u>        | <u>(7,637)</u>       |
| Total other income, net                           | <u>581,601</u>        | <u>347,253</u>        | <u>500,340</u>       |
| Income before income taxes                        | 2,941,017             | 2,714,164             | 3,053,958            |
| Income taxes                                      | <u>687,000</u>        | <u>733,000</u>        | <u>464,000</u>       |
| Net Income  | <u>\$ 2,254,017</u>   | <u>\$ 1,981,164</u>   | <u>\$ 2,589,958</u>  |
| <br>  |                       |                       |                      |
| Basic earnings per share                          | <u>\$0.13</u>         | <u>\$0.10</u>         | <u>\$0.14</u>        |
| Diluted earnings per share                        | <u>\$0.13</u>         | <u>\$0.10</u>         | <u>\$0.14</u>        |
| Shares used in computing net income<br>per share: |                       |                       |                      |
| Basic   | <u>17,402,270</u>     | <u>20,144,447</u>     | <u>18,315,130</u>    |
| Diluted   | <u>17,936,051</u>     | <u>20,678,163</u>     | <u>18,669,847</u>    |

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

|                                  | Three Months Ended    |                       |                      |
|----------------------------------|-----------------------|-----------------------|----------------------|
|                                  | <u>Sept. 30, 2005</u> | <u>Sept. 30, 2004</u> | <u>June 30, 2005</u> |
| Net sales                        | 100.0%                | 100.0%                | 100.0%               |
| Cost of sales                    | <u>64.8%</u>          | <u>68.3%</u>          | <u>66.6%</u>         |
| Gross profit                     | <u>35.2%</u>          | <u>31.7%</u>          | <u>33.4%</u>         |
| Operating expenses:              |                       |                       |                      |
| Marketing                        | 7.2%                  | 7.1%                  | 7.1%                 |
| Research and development         | 8.3%                  | 6.6%                  | 6.7%                 |
| General and administrative       | <u>10.1%</u>          | <u>8.5%</u>           | <u>9.0%</u>          |
| Total operating expenses         | <u>25.6%</u>          | <u>22.2%</u>          | <u>22.8%</u>         |
| Operating income                 | <u>9.6%</u>           | <u>9.5%</u>           | <u>10.6%</u>         |
| Other income (expense):          |                       |                       |                      |
| Other, primarily interest income | 2.4%                  | 1.4%                  | 2.1%                 |
| Interest expense                 | <u>0.0%</u>           | <u>0.0%</u>           | <u>0.0%</u>          |
| Total other income, net          | <u>2.4%</u>           | <u>1.4%</u>           | <u>2.1%</u>          |
| Income before income taxes       | 12.0%                 | 10.9%                 | 12.7%                |
| Income taxes                     | <u>2.8%</u>           | <u>2.9%</u>           | <u>2.0%</u>          |
| Net income                       | <u>9.2%</u>           | <u>8.0%</u>           | <u>10.7%</u>         |

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

|   | Three Months Ended          |                              |                                      |
|---|-----------------------------|------------------------------|--------------------------------------|
|   | GAAP Results                | Equity Based<br>Compensation | Without Equity Based<br>Compensation |
|   | <u>Sept. 30, 2005</u>       | <u>Sept. 30, 2005</u>        | <u>Sept. 30, 2005</u>                |
| Net sales   | \$24,614,358                | \$ -                         | \$24,614,358                         |
| Cost of sales                                     | <u>15,959,912</u>           | <u>324,609</u>               | <u>15,635,303</u>                    |
| Gross profit                                      | <u>8,654,446</u><br>35.2%   | <u>324,609</u><br>1.3%       | <u>8,979,055</u><br>36.5%            |
| Operating expenses:                               |                             |                              |                                      |
| Marketing   | 1,768,079                   | 68,733                       | 1,699,346                            |
| Research and development                          | 2,034,641                   | -                            | 2,034,641                            |
| General and administrative                        | <u>2,492,310</u>            | <u>440,946</u>               | <u>2,051,364</u>                     |
| Total operating expenses                          | <u>6,295,030</u>            | <u>509,679</u>               | <u>5,785,351</u>                     |
| Operating income                                  | <u>2,359,416</u><br>9.6%    | <u>834,288</u><br>3.4%       | <u>3,193,704</u><br>13.0%            |
| Other income (expense):                           |                             |                              |                                      |
| Other, primarily interest income                  | 587,744                     | -                            | 587,744                              |
| Interest expense                                  | <u>(6,143)</u>              | <u>-</u>                     | <u>(6,143)</u>                       |
| Total other income, net                           | <u>581,601</u>              | <u>-</u>                     | <u>581,601</u>                       |
| Income before income taxes                        | 2,941,017                   | 834,288                      | 3,775,305                            |
| Income taxes                                      | <u>687,000</u>              | <u>(57,000)</u>              | <u>744,000</u>                       |
| Net Income  | <u>\$ 2,254,017</u><br>9.2% | <u>\$ 777,288</u><br>3.1%    | <u>\$ 3,031,305</u><br>12.3%         |
| Basic earnings per share                          | <u>\$0.13</u>               | <u>\$0.04</u>                | <u>\$0.17</u>                        |
| Diluted earnings per share                        | <u>\$0.13</u>               | <u>\$0.04</u>                | <u>\$0.17</u>                        |
| Shares used in computing net income<br>per share: |                             |                              |                                      |
| Basic   | <u>17,402,270</u>           | <u>17,402,270</u>            | <u>17,402,270</u>                    |
| Diluted   | <u>17,936,051</u>           | <u>17,936,051</u>            | <u>17,936,051</u>                    |

Anaren, Inc.  
Consolidated Condensed Balance Sheets  
(Unaudited)

|   | <u>Sept. 30, 2005</u> | <u>June 30, 2005</u> |
|---|-----------------------|----------------------|
| Assets:   |                       |                      |
| Cash, cash equivalents and short-term investments | \$59,364,868          | \$58,408,721         |
| Accounts receivable, net                          | 14,766,106            | 14,780,146           |
| Other receivables                                 | 1,251,142             | 1,144,680            |
| Inventories                                       | 20,788,603            | 19,403,348           |
| Other current assets                              | <u>1,998,216</u>      | <u>1,771,658</u>     |
| Total current assets                              | 98,168,935            | 95,508,553           |
| Net property, plant and equipment                 | 24,629,636            | 24,983,653           |
| Securities available for sale                     | -                     | 3,500,000            |
| Securities held to maturity                       | 20,256,725            | 20,100,547           |
| Goodwill  | 30,715,861            | 30,751,861           |
| Other intangibles                                 | <u>590,023</u>        | <u>673,241</u>       |
| Total assets                                      | <u>\$174,361,180</u>  | <u>\$175,481,855</u> |
| Liabilities and stockholders' equity              |                       |                      |
| Liabilities:                                      |                       |                      |
| Accounts payable                                  | \$6,548,257           | \$6,077,313          |
| Accrued expenses                                  | 1,766,330             | 2,331,885            |
| Other liabilities                                 | <u>2,825,004</u>      | <u>2,545,847</u>     |
| Total current liabilities                         | 11,139,591            | 10,955,045           |
| Other non-current liabilities                     | <u>5,709,714</u>      | <u>5,448,247</u>     |
| Total liabilities                                 | 16,849,305            | 16,403,292           |
| Stockholders' equity:                             |                       |                      |
| Retained earnings                                 | 60,913,824            | 58,659,807           |
| Common stock and additional paid-in capital       | 172,355,862           | 171,346,105          |
| Accumulated comprehensive loss                    | (683,850)             | (747,539)            |
| Less cost of treasury stock                       | <u>(75,073,961)</u>   | <u>(70,179,810)</u>  |
| Total stockholders' equity                        | <u>157,511,875</u>    | <u>159,078,563</u>   |
| Total liabilities and stockholders' equity        | <u>\$174,361,180</u>  | <u>\$175,481,855</u> |

ANAREN, INC. AND SUBSIDIARIES  
Consolidated Condensed Statements of Cash Flows  
(Unaudited)

|   | <u>Three Months Ended</u> |                       |
|---|---------------------------|-----------------------|
|   | <u>Sept. 30, 2005</u>     | <u>Sept. 30, 2004</u> |
| Cash flows from operating activities:   |                           |                       |
| Net income  | \$2,254,017               | \$ 1,981,164          |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                           |                       |
| Depreciation and amortization of plant and equipment  | 1,201,919                 | 1,252,667             |
| Amortization of intangibles   | 83,218                    | 320,992               |
| Provision for doubtful accounts   | -                         | (5,741)               |
| Deferred income taxes   | 72,000                    | 73,300                |
| Stock based compensation  | 861,921                   | 71,550                |
| Receivables   | 14,040                    | (2,061,338)           |
| Inventories   | (1,385,255)               | (1,623,546)           |
| Accounts payable  | 470,944                   | (1,002,388)           |
| Other assets and liabilities  | <u>(429,951)</u>          | <u>(518,775)</u>      |
| Net cash provided by (used in) operating activities   | <u>3,142,853</u>          | <u>(1,512,115)</u>    |
| Cash flows from investing activities:   |                           |                       |
| Capital expenditures  | (847,902)                 | (5,606,303)           |
| Proceeds from sale of stock   | -                         | 293,930               |
| Net maturities of marketable debt and equity securities                                     | <u>3,532,408</u>          | <u>2,503,921</u>      |
| Net cash provided by (used in) investing activities   | <u>2,684,506</u>          | <u>(2,808,452)</u>    |
| Cash flows from financing activities:   |                           |                       |
| Stock options exercised   | 147,836                   | 28,642                |
| Purchase of treasury stock  | <u>(4,894,151)</u>        | <u>(11,623,399)</u>   |
| Net cash used in financing activities   | <u>(4,746,315)</u>        | <u>(11,594,757)</u>   |
| Effect of exchange rates  | 63,689                    | 962                   |
| Net increase (decrease) in cash and cash equivalents  | 1,144,733                 | (15,914,362)          |
| Cash and cash equivalents at beginning of period  | <u>5,900,841</u>          | <u>23,303,263</u>     |
| Cash and cash equivalents at end of period  | <u>\$7,045,574</u>        | <u>\$7,388,901</u>    |