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FROM: Anaren, Inc.  
6635 Kirkville Road  
East Syracuse, NY 13057

CONTACT: Joseph E. Porcello, VP of Finance  
315-432-8909

### **ANAREN REPORTS 2ND QUARTER RESULTS**

Syracuse, NY – Anaren, Inc. (NASDAQ: ANEN) today reported record net sales for the second quarter ended December 31, 2005 were \$25.0 million, up 6% from the second quarter of fiscal year 2005.

Net income for the second quarter was \$2.2 million, or \$0.13 per diluted share including \$0.8 million, or \$0.04 per diluted share in equity based compensation expense as required by Statement of Financial Accounting Standards No. 123R. Net income for the second quarter of fiscal 2006 before equity based compensation expense was \$3.0 million, or \$0.17 per diluted share. This compares to net income of \$1.0 million, or \$0.05 per diluted share for the second quarter of fiscal 2005 which included \$0.9 million in restructuring and consolidation charges and no equity based compensation expense.

The effective tax rate for the second quarter of fiscal 2006 was 27.1%, compared to 9.4% for the second quarter of fiscal 2005.

Operating income for the second quarter of fiscal 2006 was \$2.5 million, or 10.1% of net sales, including \$0.8 million, or 3.3% of net sales, in equity based compensation expense, up 177% from the second quarter of fiscal 2005. Operating income for the second quarter of fiscal 2006 before equity based compensation expenses was 13.4% of net sales. This compares to operating income of \$0.9 million, or 3.9% of sales, for the second quarter of fiscal 2005, which included \$0.5 million in restructuring and \$0.4 million in other consolidation charges and no equity based compensation expense.

Lawrence A. Sala, Anaren's President and CEO said, "The growth in net sales for the quarter was driven by the Space and Defense Group. Profitability for the quarter continued to improve as a result of the increase in net sales, continued favorable wireless product mix, and improved operating efficiencies particularly at our Anaren Ceramics subsidiary." Mr. Sala added, "We are pleased with the continued improvement in operating profitability and the expanding breadth of our Space and Defense business."

For the six months ended December 31, 2005, net sales were \$49.6 million, up 2% from the first six months of fiscal 2005. Operating income for the first six months of fiscal 2006 was \$4.9 million, or 9.8% of net sales, including \$1.7 million, or 3.4% of net sales, in equity based compensation expense. Operating income before equity based compensation expense for the first six months of fiscal 2006 was 13.2% of net sales. Net income for the first six months of

fiscal 2006 was \$4.5 million, or \$0.25 per diluted share, including \$1.7 million, or \$0.09 per diluted share, in equity based compensation expense net of tax. This compares to net income for the first six months of fiscal 2005 of \$3.0 million, or \$0.15 per diluted share, which included \$1.1 million in restructuring and consolidation charges and no equity based compensation expense.

## **Balance Sheet**

Cash, cash equivalents and marketable debt securities at December 31, 2005 were \$77.2 million. During the quarter, the Company generated \$4.2 million in cash from operations, repurchased 343,611 shares of its common stock for \$4.9 million, and expended \$2.1 million on capital additions.

## **Wireless Group**

Wireless Group net sales for the quarter were \$15.5 million, down 3% from the second quarter of fiscal 2005. The decrease in wireless net sales from the second quarter of last year was driven by an anticipated decline in resistive product sales which was largely offset by an increase in sales of consumer component products. Sales of consumer component products were \$1.1 million for the quarter, up 200% from the second quarter of fiscal 2005 driven by increased demand for satellite television applications. Due to the seasonality of this application, we anticipate that consumer component sales will decline in the third quarter.

Development of new custom assembly opportunities continued during the quarter with the delivery of qualification units on two programs. The group also began sampling new balun and filter products for consumer terrestrial and satellite television applications. Wireless Group research and development spending remains focused on consumer and ferrite component development activity.

Customers that exceeded 10% of Wireless Group net sales for the quarter were Nokia Corp. and Motorola, Inc.

## **Space and Defense Group**

Space and Defense Group net sales for the quarter were \$9.5 million, up 24.6% from the second quarter of fiscal 2005. New orders for the quarter totaled \$8.9 million and included contracts for satellite antenna and airborne passive ranging applications. Space and Defense backlog at December 31, 2005 was \$49.6 million, up 4% from \$47.5 million at June 30, 2005.

## **Outlook**

We expect continued market demand volatility for wireless infrastructure products, seasonal driven decline in the consumer component product line and relative consistency from the backlog-driven Space and Defense segment. As a result, we expect net sales to be in the range of \$23.0 - \$25.0 million for the third quarter of fiscal 2006. With an anticipated tax rate of 25% - 26% 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 third 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 ongoing 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 December 31, 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, January 26, 2006 at 5:00 p.m. EDT. A replay of the conference call will be available at 8:00 p.m. (EDT) beginning January 26, 2006 through midnight January 30, 2006. 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 2766294. If you are unable to access the Live Webcast, the dial in number for the U.S. is 1-800-231-9012 and International is 1-719-457-2617.

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

	Three Months Ended		Six Months Ended	
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Sales	\$25,019,013	\$23,650,022	\$49,633,371	\$48,557,379
Cost of sales	<u>15,982,504</u>	<u>16,888,850</u>	<u>31,942,416</u>	<u>33,905,389</u>
Gross profit	<u>9,036,509</u>	<u>6,761,172</u>	<u>17,690,955</u>	<u>14,651,990</u>
Operating expenses:				
Marketing	1,715,660	1,860,973	3,483,739	3,637,618
Research and development	2,268,438	1,387,105	4,303,079	3,032,182
General and administrative	2,523,124	2,141,752	5,015,434	4,243,936
Restructuring	<u>-</u>	<u>458,335</u>	<u>-</u>	<u>458,335</u>
Total operating expenses	<u>6,507,222</u>	<u>5,848,165</u>	<u>12,802,252</u>	<u>11,372,071</u>
Operating income	<u>2,529,287</u>	<u>913,007</u>	<u>4,888,703</u>	<u>3,279,919</u>
Other income (expense):				
Other income, primarily interest	536,821	179,714	1,124,565	532,771
Interest expense	<u>(6,143)</u>	<u>(9,837)</u>	<u>(12,286)</u>	<u>(15,642)</u>
Total other income (expense)	<u>530,678</u>	<u>169,877</u>	<u>1,112,279</u>	<u>517,129</u>
Income before income taxes	3,059,965	1,082,884	6,000,982	3,797,048
Income taxes	<u>830,000</u>	<u>102,000</u>	<u>1,517,000</u>	<u>835,000</u>
Net income	<u>2,229,965</u>	<u>980,884</u>	<u>4,483,982</u>	<u>2,962,048</u>
Basic earnings per share	<u>\$0.13</u>	<u>\$0.05</u>	<u>\$0.26</u>	<u>\$0.15</u>
Diluted earnings per share	<u>\$0.13</u>	<u>\$0.05</u>	<u>\$0.25</u>	<u>\$0.15</u>
Shares used in computing net income				
Per share:				
Basic	<u>17,020,360</u>	<u>19,580,182</u>	<u>17,211,315</u>	<u>19,862,314</u>
Diluted	<u>17,595,314</u>	<u>20,167,087</u>	<u>17,765,683</u>	<u>20,422,625</u>

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

	Three Months Ended		Six Months Ended	
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	<u>63.9%</u>	<u>71.4%</u>	<u>64.4%</u>	<u>69.8%</u>
Gross profit	<u>36.1%</u>	<u>28.6%</u>	<u>35.6%</u>	<u>30.2%</u>
Operating expenses:				
Marketing	6.8%	7.9%	7.0%	7.5%
Research and development	9.1%	5.9%	8.7%	6.3%
General and administrative	10.1%	9.0%	10.1%	8.7%
Restructuring	<u>0.0%</u>	<u>1.9%</u>	<u>0.0%</u>	<u>0.9%</u>
Total operating expenses	<u>26.0%</u>	<u>24.7%</u>	<u>25.8%</u>	<u>23.4%</u>
Operating income	<u>10.1%</u>	<u>3.9%</u>	<u>9.8%</u>	<u>6.8%</u>
Other income (expense):				
Other, primarily interest income	2.1%	0.7%	2.3%	1.0%
Interest expense	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Total other income, net	<u>2.1%</u>	<u>0.7%</u>	<u>2.3%</u>	<u>1.0%</u>
Income before income taxes	12.2%	4.6%	12.1%	7.8%
Income taxes	<u>3.3%</u>	<u>0.4%</u>	<u>3.1%</u>	<u>1.7%</u>
Net income	<u>8.9%</u>	<u>4.2%</u>	<u>9.0%</u>	<u>6.1%</u>

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

	Three Months Ended		
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>	<u>Sept. 30, 2005</u>
Net sales	\$25,019,013	\$23,650,022	\$24,614,358
Cost of sales	<u>15,982,504</u>	<u>16,888,850</u>	<u>15,959,912</u>
Gross profit	<u>9,036,509</u>	<u>6,761,172</u>	<u>8,654,446</u>
Operating expenses:			
Marketing	1,715,660	1,860,973	1,768,079
Research and development	2,268,438	1,387,105	2,034,641
General and administrative	2,523,124	2,141,752	2,492,310
Restructuring	<u>-</u>	<u>458,335</u>	<u>-</u>
Total operating expenses	<u>6,507,222</u>	<u>5,848,165</u>	<u>6,295,030</u>
Operating income	<u>2,529,287</u>	<u>913,007</u>	<u>2,359,416</u>
Other income (expense):			
Other, primarily interest income	536,821	179,714	587,744
Interest expense	<u>(6,143)</u>	<u>(9,837)</u>	<u>(6,143)</u>
Total other income, net	<u>530,678</u>	<u>169,877</u>	<u>581,601</u>
Income before income taxes	3,059,965	1,082,884	2,941,017
Income taxes	<u>830,000</u>	<u>102,000</u>	<u>687,000</u>
Net Income	<u>\$ 2,229,965</u>	<u>\$ 980,884</u>	<u>\$ 2,254,017</u>
Basic earnings per share	<u>\$0.13</u>	<u>\$0.05</u>	<u>\$0.13</u>
Diluted earnings per share	<u>\$0.13</u>	<u>\$0.05</u>	<u>\$0.13</u>
Shares used in computing net income per share:			
Basic	<u>17,020,360</u>	<u>19,580,182</u>	<u>17,402,270</u>
Diluted	<u>17,595,314</u>	<u>20,167,087</u>	<u>17,936,051</u>

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

	Three Months Ended		
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>	<u>Sept. 30, 2005</u>
Net sales	100.0%	100.0%	100.0%
Cost of sales	<u>63.9%</u>	<u>71.4%</u>	<u>64.8%</u>
Gross profit	<u>36.1%</u>	<u>28.6%</u>	<u>35.2%</u>
Operating expenses:			
Marketing	6.8%	7.9%	7.2%
Research and development	9.1%	5.9%	8.3%
General and administrative	10.1%	9.0%	10.1%
Restructuring	<u>0.0%</u>	<u>1.9%</u>	<u>0.0%</u>
Total operating expenses	<u>26.0%</u>	<u>24.7%</u>	<u>25.6%</u>
Operating income	<u>10.1%</u>	<u>3.9%</u>	<u>9.6%</u>
Other income (expense):			
Other, primarily interest income	2.1%	0.7%	2.4%
Interest expense	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Total other income, net	<u>2.1%</u>	<u>0.7%</u>	<u>2.4%</u>
Income before income taxes	12.2%	4.6%	12.0%
Income taxes	<u>3.3%</u>	<u>0.4%</u>	<u>2.8%</u>
Net income	<u>8.9%</u>	<u>4.2%</u>	<u>9.2%</u>

Anaren, Inc.  
Consolidated Condensed Balance Sheets  
(Unaudited)

	<u>Dec. 31, 2005</u>	<u>June 30, 2005</u>
Assets:		
Cash, cash equivalents and short-term investments	\$64,728,186	\$58,408,721
Accounts receivable, net	13,907,521	14,780,146
Other receivables	1,142,200	1,144,680
Inventories	22,380,517	19,403,348
Other current assets	<u>2,018,153</u>	<u>1,771,658</u>
Total current assets	104,176,577	95,508,553
Net property, plant and equipment	25,564,872	24,983,653
Securities available for sale	-	3,500,000
Securities held to maturity	12,499,018	20,100,547
Goodwill	30,715,861	30,715,861
Other intangibles	<u>506,806</u>	<u>673,241</u>
Total assets	<u>\$173,463,134</u>	<u>\$175,481,855</u>
Liabilities and stockholders' equity		
Liabilities:		
Accounts payable	\$5,525,706	\$6,077,313
Accrued expenses	2,473,539	2,331,885
Customer advance payments	483,722	
Other liabilities	<u>2,420,237</u>	<u>2,545,847</u>
Total current liabilities	10,903,204	10,955,045
Other non-current liabilities	<u>6,013,707</u>	<u>5,448,247</u>
Total liabilities	16,916,911	16,403,292
Stockholders' equity:		
Retained earnings	63,143,789	58,659,807
Common stock and additional paid-in capital	174,096,475	171,346,105
Accumulated comprehensive loss	(721,756)	(747,539)
Less cost of treasury stock	<u>(79,972,285)</u>	<u>(70,179,810)</u>
Total stockholders' equity	<u>156,546,223</u>	<u>159,078,563</u>
Total liabilities and stockholders' equity	<u>\$173,463,134</u>	<u>\$175,481,855</u>

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

	Three Months Ended		
	GAAP Results Dec. 31, 2005	SFAS 123R EXP Dec. 31, 2005	W/O SFAS 123R Dec. 31, 2005
Net sales	\$25,019,013	\$ -	\$25,019,013
Cost of sales	<u>15,982,504</u>	<u>196,907</u>	<u>15,785,597</u>
Gross profit	<u>9,036,509</u>	<u>196,907</u>	<u>9,233,416</u>
Operating expenses:			
Marketing	1,715,660	68,733	1,646,927
Research and development	2,268,438	127,702	2,140,736
General and administrative	<u>2,523,124</u>	<u>440,947</u>	<u>2,082,177</u>
Total operating expenses	<u>6,507,222</u>	<u>637,382</u>	<u>5,869,840</u>
Operating income	<u>2,529,287</u>	<u>834,289</u>	<u>3,363,576</u>
Other income (expense):			
Other, primarily interest income	536,821	-	536,821
Interest expense	<u>(6,143)</u>	<u>-</u>	<u>(6,143)</u>
Total other income, net	<u>530,678</u>	<u>-</u>	<u>530,678</u>
Income before income taxes	3,059,965	834,289	3,894,254
Income taxes	<u>830,000</u>	<u>(57,000)</u>	<u>887,000</u>
Net Income	<u>\$ 2,229,965</u>	<u>\$ 777,289</u>	<u>\$ 3,007,254</u>
Basic earnings per share	<u>\$0.13</u>	<u>\$0.05</u>	<u>\$0.18</u>
Diluted earnings per share	<u>\$0.13</u>	<u>\$0.04</u>	<u>\$0.17</u>
Shares used in computing net income per share:			
Basic	<u>17,020,360</u>	<u>17,020,360</u>	<u>17,020,360</u>
Diluted	<u>17,595,314</u>	<u>17,595,314</u>	<u>17,595,314</u>

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

	Three Months Ended		
	GAAP Results Dec. 31, 2005	SFAS 123R EXP Dec. 31, 2005	W/O SFAS 123R Dec. 31, 2005
Net sales	100.0%		100.0%
Cost of sales	<u>63.9%</u>	<u>0.8%</u>	<u>63.1%</u>
Gross profit	<u>36.1%</u>	<u>(0.8)%</u>	<u>36.9%</u>
Operating expenses:			
Marketing	6.8%	0.2%	6.6%
Research and development	9.1%	0.5%	8.6%
General and administrative	10.1%	1.8%	8.3%
Restructuring	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Total operating expenses	<u>26.0%</u>	<u>2.5%</u>	<u>23.5%</u>
Operating income	<u>10.1%</u>	<u>(3.3)%</u>	<u>13.4%</u>
Other income (expense):			
Other, primarily interest income	2.1%	0.0%	2.1%
Interest expense	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Total other income, net	<u>2.1%</u>	<u>0.0%</u>	<u>2.1%</u>
Income before income taxes	12.2%	(3.3)%	15.5%
Income taxes	<u>3.3%</u>	<u>(0.2)%</u>	<u>3.5%</u>
Net income	<u>8.9%</u>	<u>(3.1)%</u>	<u>12.0%</u>

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

	Six Months Ended <u>Dec. 31, 2005</u>	Three Months Ended <u>Dec. 31, 2005</u>	Three Months Ended <u>Sept. 30, 2005</u>
Cash flows from operating activities:			
Net income	\$4,483,982	\$2,229,965	\$2,254,017
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of plant and equipment	2,391,077	1,189,158	1,201,919
Loss on sale of equipment	15,875	15,875	-
Amortization of intangibles	166,435	83,217	83,218
Provision for doubtful accounts	(2,292)	(2,292)	-
Deferred income taxes	156,405	84,405	72,000
Equity based compensation	1,725,844	863,923	861,921
Tax benefit from exercise of stock options	378,318	378,318	-
Receivables	874,917	860,877	14,040
Inventories	(2,977,169)	(1,591,914)	(1,385,255)
Accounts payable	(551,607)	(1,022,551)	(470,944)
Other assets and liabilities	<u>664,805</u>	<u>1,094,756</u>	<u>(429,951)</u>
Net cash provided by operating activities	<u>7,326,590</u>	<u>4,183,737</u>	<u>3,142,853</u>
Cash flows from investing activities:			
Capital expenditures	(2,989,171)	(2,141,269)	(847,902)
Proceeds from sale of equipment	1,000	1,000	-
Net maturities (purchases) of marketable debt and equity securities	<u>3,510,237</u>	<u>(22,171)</u>	<u>3,532,408</u>
Net cash (used in) provided by investing activities from continuing operations	<u>522,066</u>	<u>(2,162,440)</u>	<u>(2,684,506)</u>
Cash flows from financing activities:			
Stock options exercised	646,209	498,373	147,836
Purchase of treasury stock	<u>(9,792,475)</u>	<u>(4,898,324)</u>	<u>(4,894,151)</u>
Net cash (used in) provided by financing activities	<u>(9,146,266)</u>	<u>(4,399,951)</u>	<u>(4,746,315)</u>
Effect of exchange rates	25,783	(37,906)	63,689
Net increase (decrease) in cash and cash equivalents	(1,271,827)	(2,416,560)	1,144,733
Cash and cash equivalents at beginning of period	<u>5,900,841</u>	<u>7,045,574</u>	<u>5,900,841</u>
Cash and cash equivalents at end of period	<u>\$ 4,629,014</u>	<u>\$ 4,629,014</u>	<u>\$7,045,574</u>