



**April 27, 2006**

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### **ANAREN REPORTS 3RD QUARTER RESULTS**

Syracuse, NY – Anaren, Inc. (NASDAQ: ANEN) today reported record net sales for the third quarter ended March 31, 2006 of \$26.7 million, up 23% from the third quarter of fiscal year 2005.

Income from continuing operations for the third quarter was \$3.2 million, or \$0.18 per diluted share including \$0.8 million, or \$0.04 per diluted share in equity based compensation expense. This compares to income from continuing operations of \$1.9 million, or \$0.09 per diluted share for the third quarter of fiscal 2005. Excluding equity based compensation expense, income from continuing operations for the third quarter was \$4.0 million, or \$0.22 per diluted share, an increase of 115% from the third quarter of last year.

The effective tax rate for the third quarter of fiscal 2006 was 21.7%, compared to 19.1% for the third quarter of fiscal 2005.

Operating income for the third quarter of fiscal 2006 was \$3.5 million, or 13.1% of net sales, including \$0.8 million in equity based compensation expense. This compares to operating income of \$1.7 million, or 8.0% of net sales, for the third quarter of fiscal 2005. Excluding equity based compensation expense, operating income for the third quarter was \$4.3 million, or 16.2% of net sales, an increase of 148% from the third quarter of last year.

The final liquidation and dissolution of the Company's European corporate structure was concluded during the quarter ended March 31, 2006. As part of this liquidation and dissolution, the Company recognized income from discontinued operations of \$817,000 resulting from final asset and liability liquidation and previously unrecognized currency translation gains.

Net income for the third quarter was \$4.0 million or \$0.23 per diluted share including income from discontinued European operations of \$817,000 or \$0.05 per diluted share. This compares to net income of \$1.9 million, or \$0.09 per diluted share for the third quarter of fiscal 2005.

Lawrence A. Sala, Anaren's President and CEO said, "The continued improvement in profitability for the quarter was driven by the growth in net sales, a favorable wireless product mix and improved operating efficiencies. Our Suzhou, China operation and the restructuring activities completed in fiscal 2005 are having a positive impact on our customer service and financial performance." Mr. Sala added, "We have benefited from favorable Wireless

Infrastructure market conditions and are pleased with the growth and operating performance of our Space and Defense Group.”

For the nine months ended March 31, 2006, net sales were \$76.3 million, up 8.5% from \$70.3 million for the first nine months of fiscal 2005. Operating income for the first nine months of fiscal 2006 was \$8.4 million, or 11.0% of net sales, including \$2.5 million, or 3.3% of net sales, in equity based compensation expense. Operating income before equity based compensation expense for the first nine months of fiscal 2006 was 14.3% of net sales. Income from continuing operations for the first nine months of fiscal 2006 was \$7.7 million, or \$0.43 per diluted share, including \$2.5 million, or \$0.13 per diluted share, in equity based compensation expense net of tax. This compares to income from continuing operations for the first nine months of fiscal 2005 of \$4.8 million, or \$0.24 per diluted share, which included \$1.5 million in restructuring and consolidation charges.

Net income for the nine months ended March 31, 2006 was \$8.5 million, or \$0.48 per diluted share, including income from discontinued operations of \$817,000, or \$0.05 per diluted share, compared to net income of \$4.8 million, or \$0.24 per diluted share for the first nine months of fiscal 2005.

### **Balance Sheet**

Cash, cash equivalents and marketable debt securities at March 31, 2006 were \$81.0 million. During the quarter, the Company generated \$3.9 million in cash from operations, bringing the total year-to-date for fiscal 2006 to \$10.9 million. The Company expended \$1.3 million on capital additions during the quarter.

### **Wireless Group**

Wireless Group net sales for the quarter were \$16.0 million, up 13% from the third quarter of fiscal 2005. The increase in wireless net sales from the third quarter of last year was driven by an increase in sales of custom products as well as improved sales at Anaren Ceramics. Sales of consumer component products were \$0.60 million for the quarter, up 21% from the third 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 further increase in the fourth quarter.

The Group delivered prototype and production verification samples on several new custom assembly and standard product opportunities. The group also secured multiple new consumer component design-ins for satellite television set top tuner applications. Wireless Group research and development spending remains focused on consumer and ferrite component development activity.

Customers that were 10% of Wireless Group net sales or greater for the quarter included Motorola, Inc., Nokia Corp., Ericsson and Richardson Electronics Ltd.

## **Space and Defense Group**

Space and Defense Group net sales for the quarter were \$10.7 million, up 40% from the third quarter of fiscal 2005. New orders for the quarter totaled \$7.8 million and included contracts for satellite and radar antenna subassemblies. We continue to enjoy a favorable Space and Defense opportunity environment and believe that the 0.73-to-1.0 book to bill ratio for the quarter was the result of order timing. Space and Defense backlog at March 31, 2006 was \$46.7 million, down 2% from \$47.5 million at June 30, 2005.

## **Outlook**

We expect continued market demand volatility for wireless infrastructure products, a seasonally driven increase in demand for 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 \$26.0 - \$28.0 million for the fourth quarter of fiscal 2006. With an anticipated tax rate of approximately 24% 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 \$0.14 - \$0.17 for the fourth 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 ramping up the Company’s Suzhou China facility to meet existing and anticipated demand for Wireless products; 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 March 31, 2006 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, April 27, 2006 at 5:00 p.m. EDT. A replay of the conference call will be available at 8:00 p.m. (EDT) beginning April 27, 2006 through midnight May 1, 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 7984264. If you are unable to access the Live Webcast, the dial in number for the U.S. is 1-800-500-3170 and International is 1-719-457-2733.

## **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		Nine Months Ended	
	<u>Mar. 31, 2006</u>	<u>Mar. 31, 2005</u>	<u>Mar. 31, 2006</u>	<u>Mar. 31, 2005</u>
Sales	\$26,701,083	\$21,783,418	\$76,334,454	\$70,340,797
Cost of sales	<u>16,458,102</u>	<u>14,630,770</u>	<u>48,400,518</u>	<u>48,536,159</u>
Gross profit	<u>10,242,981</u> 38.4%	<u>7,152,648</u> 32.8%	<u>27,933,936</u> 36.6%	<u>21,804,638</u> 31.0%
Operating expenses:				
Marketing	1,806,588	1,513,274	5,290,327	5,150,892
Research and development	2,187,966	1,635,048	6,491,045	4,667,230
General and administrative	2,756,278	2,256,819	7,771,712	6,500,755
Restructuring	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,335</u>
Total operating expenses	<u>6,750,832</u>	<u>5,405,141</u>	<u>19,553,084</u>	<u>16,777,212</u>
Operating income	<u>3,492,149</u> 13.1%	<u>1,747,507</u> 8.0%	<u>8,380,852</u> 11.0%	<u>5,027,426</u> 7.1%
Other income (expense):				
Other income, primarily interest	620,173	558,166	1,744,738	1,090,937
Interest expense	<u>(6,143)</u>	<u>(6,143)</u>	<u>(18,429)</u>	<u>(21,785)</u>
Total other income (expense)	<u>614,030</u>	<u>552,023</u>	<u>1,726,309</u>	<u>1,069,152</u>
Income from continuing operations before income tax	4,106,179	2,299,530	10,107,161	6,096,578
Income taxes	<u>892,000</u>	<u>439,000</u>	<u>2,409,000</u>	<u>1,274,000</u>
Income from continuing operations	<u>3,214,179</u> 12.0%	<u>1,860,530</u> 8.5%	<u>7,698,161</u> 10.1%	<u>4,822,578</u> 6.9%
Discontinued operations:				
Income (loss) from discontinued operations of Anaren Europe	817,177	-	817,177	-
Income tax benefit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss) from discontinued operations	<u>817,177</u>	<u>-</u>	<u>817,177</u>	<u>-</u>
Net income	<u>\$ 4,031,356</u> 15.1%	<u>\$ 1,860,530</u> 8.5%	<u>\$ 8,515,338</u> 11.2%	<u>\$ 4,822,578</u> 6.9%
Basic earnings per share:				
Income from continuing operations	\$0.19	\$0.10	\$0.45	\$0.24
Income (loss) from discontinued operations	<u>0.05</u>	<u>0.00</u>	<u>0.05</u>	<u>0.00</u>
Net income	<u>\$0.24</u>	<u>\$0.10</u>	<u>\$0.50</u>	<u>\$0.24</u>
Diluted earnings per share:				
Income from continuing operations	\$0.18	\$0.09	\$0.43	\$0.24
Income (loss) from discontinued operations	<u>0.05</u>	<u>0.00</u>	<u>0.05</u>	<u>0.00</u>
Net income	<u>\$0.23</u>	<u>\$0.09</u>	<u>\$0.48</u>	<u>\$0.24</u>
Shares used in computing net earnings per share:				
Basic	<u>16,946,993</u>	<u>19,336,007</u>	<u>17,124,494</u>	<u>19,689,024</u>
Diluted	<u>17,547,333</u>	<u>19,801,542</u>	<u>17,623,362</u>	<u>20,217,742</u>

Anaren, Inc.  
Consolidated Condensed Balance Sheets  
(Unaudited)

	<u>Mar. 31, 2006</u>	<u>June 30, 2005</u>	<u>Dec. 31, 2005</u>
Assets:			
Cash, cash equivalents and short-term investments	\$ 75,464,470	\$ 58,408,721	\$64,728,186
Accounts receivable, net	15,611,714	14,780,146	13,907,521
Other receivables	958,174	1,144,680	1,142,200
Inventories	22,127,577	19,403,348	22,380,517
Other current assets	<u>1,894,413</u>	<u>1,771,658</u>	<u>2,018,153</u>
Total current assets	116,056,348	95,508,553	104,176,577
Net property, plant and equipment	25,689,775	24,983,653	25,564,872
Securities available for sale	-	3,500,000	-
Securities held to maturity	5,502,468	20,100,547	12,499,018
Goodwill	30,715,861	30,715,861	30,715,861
Other intangibles	<u>423,588</u>	<u>673,241</u>	<u>506,806</u>
Total assets	<u>\$178,388,040</u>	<u>\$175,481,855</u>	<u>\$173,463,134</u>
Liabilities and stockholders' equity			
Liabilities:			
Accounts payable	\$ 5,167,651	\$ 6,077,313	\$5,525,706
Accrued expenses	2,475,492	2,331,885	2,473,539
Customer advance payments	483,722	-	483,722
Other liabilities	<u>1,906,643</u>	<u>2,545,847</u>	<u>2,420,237</u>
Total current liabilities	10,033,508	10,955,045	10,903,204
Other non-current liabilities	<u>6,500,242</u>	<u>5,448,247</u>	<u>6,013,707</u>
Total liabilities	16,533,750	16,403,292	16,916,911
Stockholders' equity:			
Retained earnings	67,175,145	58,659,807	63,143,789
Common stock and additional paid-in capital	176,098,404	171,346,105	174,096,475
Accumulated comprehensive loss	(1,435,968)	(747,539)	(721,756)
Less: cost of treasury stock	<u>(79,983,291)</u>	<u>(70,179,810)</u>	<u>(79,972,285)</u>
Total stockholders' equity	161,854,290	159,078,563	156,546,223
Total liabilities and stockholders' equity	<u>\$178,388,040</u>	<u>\$175,481,855</u>	<u>\$173,463,134</u>

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

	Three Months Ended		
	GAAP Results Mar. 31, 2006	SFAS 123R EXP Mar. 31, 2006	W/O SFAS 123R Mar. 31, 2006
Net sales	\$26,701,083	\$ -	\$26,701,083
Cost of sales	<u>16,458,102</u>	<u>216,115</u>	<u>16,241,987</u>
Gross profit	<u>10,242,981</u> 38.4%	<u>216,115</u>	<u>10,459,096</u> 39.2%
Operating expenses:			
Marketing	1,806,588	67,891	1,738,697
Research and development	2,187,966	109,679	2,078,287
General and administrative	<u>2,756,278</u>	<u>441,328</u>	<u>2,314,950</u>
Total operating expenses	<u>6,750,832</u>	<u>618,898</u>	<u>6,131,934</u>
Operating income	<u>3,492,149</u> 13.1%	<u>835,013</u>	<u>4,327,162</u> 16.2%
Other income (expense):			
Other, primarily interest income	620,173	-	620,173
Interest expense	<u>(6,143)</u>	<u>-</u>	<u>(6,143)</u>
Total other income, net	<u>614,030</u>	<u>-</u>	<u>614,030</u>
Income from continuing operations before income tax	4,106,179	835,013	4,941,192
Income taxes	<u>892,000</u>	<u>57,000</u>	<u>949,000</u>
Income from continuing operations	<u>\$ 3,214,179</u> 12.0%	<u>\$ 778,013</u>	<u>\$ 3,992,192</u> 15.0%
Discontinued operations			
Income (loss) from discontinued operations of Anaren Europe	817,177	-	817,177
Income tax benefit	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss) from discontinued operations	<u>817,177</u>	<u>-</u>	<u>817,177</u>
Net income	<u>\$ 4,031,356</u> 15.1%	<u>\$ 778,013</u>	<u>\$ 4,809,369</u> 18.0%
Basic earnings per share			
Income from continuing operations	\$ 0.19	\$ 0.05	\$ 0.24
Income (loss) from discontinued operations	<u>\$ 0.05</u>	<u>\$ -</u>	<u>\$ 0.05</u>
Net income	<u>\$ 0.24</u>	<u>\$ 0.05</u>	<u>\$ 0.29</u>
Diluted earnings per share			
Income from continuing operations	\$ 0.18	\$ 0.04	\$ 0.22
Income (loss) from discontinued operations	<u>\$ 0.05</u>	<u>\$ -</u>	<u>\$ 0.05</u>
Net income	<u>\$ 0.23</u>	<u>\$ 0.04</u>	<u>\$ 0.27</u>
Shares used in computing net income per share:			
Basic	<u>16,946,993</u>	<u>16,946,993</u>	<u>16,946,993</u>
Diluted	<u>17,547,333</u>	<u>17,547,333</u>	<u>17,547,333</u>

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

	Nine Months Ended		
	GAAP Results Mar. 31, 2006	SFAS 123R EXP Mar. 31, 2006	W/O SFAS 123R Mar. 31, 2006
Net sales	\$76,334,454	\$ -	\$76,334,454
Cost of sales	<u>48,400,518</u>	<u>737,631</u>	<u>47,662,887</u>
Gross profit	<u>27,933,936</u> 36.6%	<u>737,631</u>	<u>28,671,567</u> 37.6%
Operating expenses:			
Marketing	5,290,327	205,357	5,084,970
Research and development	6,491,045	237,381	6,253,664
General and administrative	<u>7,771,712</u>	<u>1,323,221</u>	<u>6,448,491</u>
Total operating expenses	<u>19,553,084</u>	<u>1,765,959</u>	<u>17,787,125</u>
Operating income	<u>8,380,852</u> 11.0%	<u>2,503,590</u>	<u>10,884,442</u> 14.3%
Other income (expense):			
Other, primarily interest income	1,744,738	-	1,744,738
Interest expense	<u>(18,429)</u>	<u>-</u>	<u>(18,429)</u>
Total other income, net	<u>1,726,309</u>	<u>-</u>	<u>1,726,309</u>
Income from continuing operations before income tax	10,107,161	2,503,590	12,610,751
Income taxes	<u>2,409,000</u>	<u>171,000</u>	<u>2,580,000</u>
Income from continuing operations	<u>\$ 7,698,161</u> 10.1%	<u>\$ 2,332,590</u>	<u>\$ 10,030,751</u> 13.1%
Discontinued operations			
Income (loss) from discontinued operations of Anaren Europe	817,177	-	817,177
Income tax benefit	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss) from discontinued operations	<u>817,177</u>	<u>-</u>	<u>817,177</u>
Net income	<u>\$ 8,515,338</u> 11.2%	<u>\$ 2,332,590</u>	<u>\$ 10,847,928</u> 14.2%
Basic earnings per share			
Income from continuing operations	\$ 0.45	\$ 0.13	\$ 0.58
Income (loss) from discontinued operations	<u>\$ 0.05</u>	<u>\$ -</u>	<u>\$ 0.05</u>
Net income	<u>\$ 0.50</u>	<u>\$ 0.13</u>	<u>\$ 0.63</u>
Diluted earnings per share			
Income from continuing operations	\$ 0.43	\$ 0.13	\$ 0.56
Income (loss) from discontinued operations	<u>\$ 0.05</u>	<u>\$ -</u>	<u>\$ 0.05</u>
Net income	<u>\$ 0.48</u>	<u>\$ 0.13</u>	<u>\$ 0.61</u>
Shares used in computing net income per share:			
Basic	<u>17,124,494</u>	<u>17,124,494</u>	<u>17,124,494</u>
Diluted	<u>17,623,362</u>	<u>17,623,362</u>	<u>17,623,362</u>

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

	NineMonths Ended <u>Mar. 31, 2006</u>	Three Months Ended <u>Mar. 31, 2006</u>
Cash flows from operating activities:		
Net income	\$ 8,515,338	\$ 4,031,356
Net income gain/(loss) from discontinued operations	<u>817,177</u>	<u>817,177</u>
Net income from continuing operations	7,698,161	3,214,179
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of plant and equipment	3,593,626	1,202,549
Loss on sale of equipment	15,875	-
Amortization of intangibles	249,653	83,218
Provision for doubtful accounts	(12,613)	(10,321)
Deferred income taxes	247,405	91,000
Equity based compensation	2,590,491	864,647
Receivables	(818,955)	(1,693,872)
Inventories	(2,724,229)	252,940
Accounts payable	(876,135)	(324,528)
Other assets and liabilities	<u>1,001,892</u>	<u>337,087</u>
Net cash provided by continuing operations	<u>10,965,171</u>	<u>4,016,899</u>
Net cash used for discontinued operations	<u>(97,241)</u>	<u>(97,241)</u>
Net cash provided by operating activities	10,867,930	3,919,658
Cash flows from investing activities:		
Capital expenditures	(4,316,623)	(1,327,452)
Proceeds from sale of equipment	1,000	-
Net maturities (purchases) of marketable debt and equity securities	<u>2,903,784</u>	<u>(606,453)</u>
Net cash (used in) provided by investing activities	<u>(1,411,839)</u>	<u>(1,933,905)</u>
Cash flows from financing activities:		
Stock options exercised	1,783,491	1,137,282
Tax benefit from exercise of stock options	378,318	-
Purchase of treasury stock	<u>(9,803,481)</u>	<u>(11,006)</u>
Net cash (used in) provided by financing activities	<u>(7,641,672)</u>	<u>1,126,276</u>
Effect of exchange rates	47,035	21,252
Net increase (decrease) in cash and cash equivalents	1,861,454	3,133,281
Cash and cash equivalents at beginning of period	<u>5,900,841</u>	<u>4,629,014</u>
Cash and cash equivalents at end of period	<u>\$ 7,762,295</u>	<u>\$ 7,762,295</u>