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

Syracuse, NY – Anaren, Inc. (NASDAQ: ANEN) today reported record net sales for the first quarter ended September 30, 2006 of \$30.2 million, up 23% from the first quarter of fiscal year 2006.

Net income for the first quarter of fiscal 2007 was \$4.0 million, or \$0.22 per diluted share, up 76% from the first quarter of last year. Net income for the quarter included \$830,000, or \$0.04 per diluted share in equity based compensation expense. Excluding stock based compensation expense, net income for the first quarter was \$4.6 million, or \$0.26 per diluted share.

The effective tax rate for the first quarter of fiscal 2007 was 27.8%, compared to 23.4% for the first quarter of fiscal 2006.

Operating income for the first quarter of fiscal 2007 was \$4.6 million, or 15.2% of net sales, up 95% from the first quarter of last year. Operating income for the quarter included \$830,000 in stock based compensation expense. Excluding stock based compensation expense, operating income for the first quarter of fiscal 2007 was \$5.4 million, or 18.0% of net sales.

Lawrence A. Sala, Anaren's President and CEO said, "The strong growth in net sales was the result of record first quarter net sales for both the Wireless and Space & Defense groups. The growth in net sales, an increase in product yields, and a favorable product mix drove improved profitability for the quarter." Mr. Sala added, "We are pleased with the number of new Wireless and Space & Defense market opportunities and the progress of our new product development efforts."

### **Balance Sheet**

Cash, cash equivalents and marketable debt securities at September 30, 2006 were \$86.8 million. During the quarter, the Company utilized \$1.0 million in cash from operations as a result of a \$3.7 million increase in accounts receivable and a \$3.3 million increase in inventory. Expenditures for capital additions in the first quarter were \$2.3 million.

## **Wireless Group**

Wireless Group net sales for the quarter were a record \$19.8 million, up 21% from the first quarter of fiscal 2006. The increase in net sales from the first quarter of last year was driven by increased demand across all wireless product lines. Seasonally strong sales of consumer component products were \$2.0 million for the quarter, up 54% from the first quarter of last year. Infrastructure product demand was positively impacted by continued GSM network build out in India. During the quarter, the group introduced several new high power Xinger products for cellular and WiMax infrastructure applications and confirmed a design win on a consumer component related wireless local area network (WLAN) application.

In general, overall wireless infrastructure demand remains volatile and progress continues on the ramp up of production of new custom wireless assembly programs. Research and development investment remains focused on broadening the consumer component product line and development of ferrite based custom assembly products for leading wireless infrastructure equipment manufacturers. Customers that were 10% of Wireless Group net sales or greater for the quarter included Ericsson, Inc., Motorola, Inc., Nokia Corp. and Richardson Electronics Ltd.

## **Space & Defense Group**

Space & Defense Group net sales for the quarter were \$10.4 million, up 26% from the first quarter of fiscal 2006. New orders for the quarter totaled \$13.9 million and included contracts for ground based and airborne jamming components and subsystems. Research and development investment is focused on increasing the integration and functionality of radar and receiver related products. Space & Defense backlog at September 30, 2006 was \$51.4 million.

## **Outlook**

For the second quarter, we expect a decline in market demand for wireless infrastructure products, a seasonally driven decrease in demand for the consumer component product line and increased demand for the Space & Defense segment as a result of recent new contract wins. As a result, we expect net sales to be in the range of \$29.0 - \$32.0 million for the second quarter of fiscal 2007. With an anticipated tax rate of approximately 25% and an expected stock based compensation expense of approximately \$0.04 per diluted share, we expect net earnings per diluted share to be in the range of \$0.20 - \$0.23 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 relocating the Company’s Suzhou China facility and successfully completing all requalification procedures; potential unanticipated liabilities and delays associated with the physical expansion of the Company’s Syracuse, New York facility; 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 2006 Annual Report, Anaren's Form 10-K for the fiscal year ended June 30, 2006 and Anaren's Form 10-Q for the three months ended September 30, 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, October 26, 2006 at 5:00 p.m. EDT. A replay of the conference call will be available at 8:00 p.m. (EDT) beginning October 26, 2006 through midnight October 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 4251221. If you are unable to access the Live Webcast, the dial in number for the U.S. is 1-800-500-0177 and International is 1-719-457-2679.

### **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, 2006</u>	<u>Sept. 30, 2005</u>
Sales	\$30,203,110	\$24,614,358
Cost of sales	<u>18,886,687</u>	<u>15,959,912</u>
Gross profit	11,316,423 37.5%	8,654,446 35.2%
Costs and expenses		
Marketing	1,812,706	1,768,079
Research and development	2,138,185	2,034,641
General and administrative	<u>2,768,226</u>	<u>2,492,310</u>
Total operating expenses	6,719,117	6,295,030
Operating income	<u>4,597,306</u> 15.2%	<u>2,359,416</u> 9.6%
Other income (expense)		
Other income, primarily interest	896,606	587,744
Interest expense	<u>(6,143)</u>	<u>(6,143)</u>
Total other income (expense)	<u>890,463</u>	<u>581,601</u>
Income before income taxes	5,487,769	2,941,017
Income taxes	<u>1,527,000</u>	<u>687,000</u>
Net income	<u>\$3,960,769</u> 13.1%	<u>\$2,254,017</u> 9.2%
Basic net income per share	<u>\$0.23</u>	<u>\$0.13</u>
Diluted net income per share	<u>\$0.22</u>	<u>\$0.13</u>
Shares used in computing net income per share:		
Basic	<u>17,492,157</u>	<u>17,402,270</u>
Diluted	<u>17,975,795</u>	<u>17,936,051</u>

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

	Three Months Ended		
	GAAP Results	Stock Based Compensation	W/O Stock Based Compensation
	<u>Sept. 30, 2006</u>	<u>Sept. 30, 2006</u>	<u>Sept. 30, 2006</u>
Net sales	\$30,203,110	\$ -	\$30,203,110
Cost of sales	<u>18,886,687</u>	<u>277,043</u>	<u>18,609,644</u>
Gross profit	<u>11,316,423</u> 37.5%	<u>277,043</u>	<u>11,593,466</u> 38.4%
Operating expenses:			
Marketing	1,812,706	55,906	1,756,800
Research and development	2,138,185	68,671	2,069,514
General and administrative	<u>2,768,226</u>	<u>428,046</u>	<u>2,340,180</u>
Total operating expenses	<u>6,719,117</u>	<u>552,623</u>	<u>6,166,494</u>
Operating income	<u>4,597,306</u> 15.2%	<u>829,666</u>	<u>5,426,972</u> 18.0%
Other income (expense):			
Other, primarily interest income	896,606	-	896,606
Interest expense	<u>(6,143)</u>	<u>-</u>	<u>(6,143)</u>
Total other income, net	<u>890,463</u>	<u>-</u>	<u>890,463</u>
Income before income taxes	5,487,769	829,666	6,317,435
Income taxes	<u>1,527,000</u>	<u>(149,000)</u>	<u>1,676,000</u>
Net Income	<u>\$ 3,960,769</u> 13.1%	<u>\$ 680,666</u>	<u>\$ 4,641,435</u> 15.4%
Basic net income per share	<u>\$0.23</u>	<u>\$0.04</u>	<u>\$0.27</u>
Diluted net income per share	<u>\$0.22</u>	<u>\$0.04</u>	<u>\$0.26</u>
Shares used in computing net income per share:			
Basic	<u>17,492,157</u>	<u>17,492,157</u>	<u>17,492,157</u>
Diluted	<u>17,975,795</u>	<u>17,975,795</u>	<u>17,975,795</u>

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

	Three Months Ended		
	GAAP Results	Stock Based Compensation	Without Stock Based 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>351,928</u>	<u>15,607,984</u>
Gross profit	<u>8,654,446</u> 35.2%	<u>351,928</u>	<u>9,006,374</u> 36.6%
Operating expenses:			
Marketing	1,768,079	68,452	1,699,627
Research and development	2,034,641	-	2,034,641
General and administrative	<u>2,492,310</u>	<u>441,541</u>	<u>2,050,769</u>
Total operating expenses	<u>6,295,030</u>	<u>509,993</u>	<u>5,785,037</u>
Operating income	<u>2,359,416</u> 9.6%	<u>861,921</u>	<u>3,221,337</u> 13.1%
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	861,921	3,802,938
Income taxes	<u>687,000</u>	<u>(67,000)</u>	<u>754,000</u>
Net Income	<u>\$ 2,254,017</u> 9.2%	<u>\$ 794,921</u>	<u>\$ 3,048,938</u> 12.4%
Basic net income per share	<u>\$0.13</u>	<u>\$0.04</u>	<u>\$0.17</u>
Diluted net income per share	<u>\$0.13</u>	<u>\$0.04</u>	<u>\$0.17</u>
Shares used in computing net income per share:			
Basic	<u>17,402,270</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, 2006</u>	<u>June 30, 2006</u>
Assets:		
Cash, cash equivalents and short-term investments	\$71,374,982	\$82,492,947
Accounts receivable, net	20,030,729	16,362,011
Other receivables	996,000	1,176,009
Inventories	25,458,126	22,132,680
Other current assets	<u>3,207,951</u>	<u>2,312,471</u>
Total current assets	121,067,788	124,476,118
Net property, plant and equipment	28,525,335	27,635,161
Securities held to maturity	15,410,769	6,131,425
Goodwill	30,715,861	30,715,861
Other intangibles	260,153	340,371
Other assets	<u>374,350</u>	<u>32,902</u>
Total assets	<u>\$196,354,256</u>	<u>\$189,331,838</u>
Liabilities and stockholders' equity		
Liabilities:		
Accounts payable	\$7,476,965	\$6,798,793
Accrued expenses	1,841,653	3,254,816
Customer advance payments	483,722	483,722
Other liabilities	<u>2,451,075</u>	<u>1,446,011</u>
Total current liabilities	12,253,415	11,983,342
Other non-current liabilities	<u>5,225,729</u>	<u>4,897,687</u>
Total liabilities	17,479,144	16,881,029
Stockholders' equity:		
Retained earnings	74,787,031	70,826,262
Common stock and additional paid-in capital	184,524,920	182,049,235
Accumulated comprehensive loss	(453,548)	(441,397)
Less cost of treasury stock	<u>(79,983,291)</u>	<u>(79,983,291)</u>
Total stockholders' equity	<u>178,875,112</u>	<u>172,450,809</u>
Total liabilities and stockholders' equity	<u>\$196,354,256</u>	<u>\$189,331,838</u>

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

	<u>Three Months Ended</u>	
	<u>Sept. 30, 2006</u>	<u>Sept. 30, 2005</u>
Cash flows from operating activities:		
Net income	\$3,960,769	\$ 2,254,017
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of plant and equipment	1,323,094	1,201,919
(Gain) on sale of land	(77,508)	-
Amortization of intangibles	80,218	83,218
Provision for doubtful accounts	1,279	-
Deferred income taxes	145,000	72,000
Stock based compensation	827,808	861,921
Receivables	(3,669,997)	14,040
Inventories	(3,325,446)	(1,385,255)
Accounts payable	678,172	470,944
Other assets and liabilities	<u>(940,528)</u>	<u>(429,951)</u>
Net cash provided by (used in) operating activities	<u>(997,139)</u>	<u>3,142,853</u>
Cash flows from investing activities:		
Capital expenditures	(2,270,268)	(847,902)
Increase in other assets	(341,448)	-
Proceeds from sale of land	134,508	-
Net maturities (purchases) of marketable debt and equity securities	<u>(861,344)</u>	<u>3,532,408</u>
Net cash provided by (used in) investing activities	<u>(3,338,552)</u>	<u>2,684,506</u>
Cash flows from financing activities:		
Stock options exercised	1,225,797	147,836
Tax benefit from exercise of stock options	422,080	-
Purchase of treasury stock	-	<u>(4,894,151)</u>
Net cash provided by (used in) financing activities	<u>1,647,877</u>	<u>(4,746,315)</u>
Effect of exchange rates	(12,151)	63,689
Net increase (decrease) in cash and cash equivalents	(2,699,965)	1,144,733
Cash and cash equivalents at beginning of period	<u>15,733,214</u>	<u>5,900,841</u>
Cash and cash equivalents at end of period	<u>\$13,033,249</u>	<u>\$7,045,574</u>