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ANAREN REPORTS 2ND QUARTER RESULTS

Syracuse, NY – Anaren, Inc. (NASDAQ: ANEN) today reported net sales for the fiscal 2009 second quarter ended December 31, 2008 of \$41.4 million, up 28.0% from \$32.4 million for the second quarter of last year. Net sales for the second quarter of fiscal 2009 included \$10.0 million of sales from M.S. Kennedy Corp and Unicircuit, Inc.; acquisitions which closed in the Company’s first quarter and are reported within the Space & Defense Group.

GAAP (U.S. generally accepted accounting principles) net income for the second quarter of fiscal 2009 was \$1.6 million, or \$0.11 per diluted share, compared to \$2.6 million, or \$0.17 per diluted share for the second quarter of last year and \$1.3 million, or \$0.09 per diluted share for the first quarter of fiscal 2009.

Non-GAAP diluted earnings per share, excluding non-cash equity based compensation, acquisition related inventory step-up and intangible amortization, was \$0.23 for the second quarter of fiscal 2009 compared to non-GAAP earnings per share of \$0.22 for the second quarter of fiscal 2008 and \$0.21 for the first quarter of fiscal 2009.

The effective tax rate for the second quarter of fiscal 2009 was 18.2%, compared to 28.4% for the second quarter of fiscal 2008. The tax rate decline resulted from the reinstatement of the federal research and experimentation credit in the second quarter of fiscal 2009 retroactive to January 1, 2008, resulting in a one-time federal tax benefit of \$265,000 in the current second quarter. The projected effective tax rate for all of fiscal 2009 is now anticipated to be approximately 31.0%.

GAAP operating income for the second quarter of fiscal 2009 was \$2.3 million, or 5.4% of net sales, down from \$3.0 million, or 9.2% of net sales for the second quarter of last year. Non-GAAP operating income for the second quarter of fiscal 2009, excluding non-cash equity based compensation and acquisition related inventory step-up and intangible amortization was \$4.8 million, or 11.5% of net sales compared to \$3.9 million, or 12.1% of net sales for the second quarter of fiscal 2008.

Lawrence A. Sala, Anaren’s President and CEO said, “Despite a less favorable overall sales mix, net sales and earnings for the quarter were in line with our expectations. Space & Defense Group sales growth continued as the integration of the M.S. Kennedy and Unicircuit acquisitions is moving forward according to our plans. Order demand for Space & Defense products remained robust in the second quarter and was driven by increased demand for M.S. Kennedy products. Wireless Group net sales declined in the second quarter due to softening demand in the later part of the second quarter.”

Net sales for the first six months ended December 31, 2008 were \$79.6 million, up 23.4% from net sales of \$64.5 million for the first six months of last year. Sales for the first half of fiscal 2009 included \$14.8 million of sales from M.S. Kennedy Corp and Unicircuit, Inc. GAAP net income for the first half of fiscal 2009 was \$2.9 million, or \$0.21 per diluted share, compared to \$5.3 million, or \$0.34 per diluted share for the first half of last year.

Non-GAAP diluted earnings per share, excluding non-cash equity based compensation, acquisition related inventory step-up and intangible amortization, was \$0.44 for the first six months of fiscal 2009 compared to non-GAAP diluted earnings per share of \$0.42 for the first six months of fiscal 2008.

During the second quarter, the Company generated \$2.5 million in operating cash flow and did not repurchase any shares of its common stock. Expenditures for capital additions in the second quarter were \$1.8 million. Cash, cash equivalents and marketable debt securities at December 31, 2008 were \$45.4 million.

Wireless Group

Wireless Group net sales for the quarter were \$16.7 million, down 6.6% from the second quarter of fiscal 2008. A general decline in overall demand during the second half of the second quarter negatively impacted net sales for the Group. During the quarter, the Group successfully captured additional standard component market share at several OEM customers and continued to make progress toward production on several new ferrite components and a custom assembly opportunity.

Sales of consumer component products were \$1.4 million for the quarter, up 88% from the second quarter of last year and unchanged compared to the first quarter of fiscal 2009, driven by continued demand for satellite television, laptop computer and cellular telephone applications. The Group continued to capture new consumer component design wins for WLAN and other consumer wireless applications during the quarter.

Customers that generated greater than 10% of Wireless Group net sales for the quarter were Nokia, E G Components and Huawei. Shipments to E G Components were predominately for Ericsson.

Space & Defense Group

Space & Defense Group net sales for the quarter were \$24.8 million, up 71% from the second quarter of fiscal 2008 and included \$10.0 million of net sales from M.S. Kennedy Corp and Unicircuit, Inc. New orders for the quarter totaled \$33.3 million and included contracts for components and assemblies for use in military satellite, imaging and targeting, radar and counter IED applications. The Group continues to pursue numerous new and follow-on opportunities. Space & Defense Group order backlog at December 31, 2008 was \$86.7 million and included approximately \$26.8 million from M.S. Kennedy and Unicircuit.

Customers that generated greater than 10% of Space & Defense Group net sales for the quarter were Lockheed Martin and Raytheon.

Non-GAAP Financial Measures

In addition to presenting financial results calculated in accordance with GAAP, Anaren's earnings release contains non-GAAP financial measures including: non-GAAP gross profit, non-GAAP operating income, non-GAAP net income and non-GAAP net income per diluted share. These non-GAAP measures are each adjusted from GAAP results to exclude certain non-cash items including equity based compensation and acquisition related inventory step-up and intangible amortization.

The Company believes these non-GAAP financial measures provide useful information to both management and investors to help understand and compare business trends among reporting periods on a consistent basis. Additionally, these non-GAAP financial measurements are one of the primary indicators management uses for planning and forecasting in future periods. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States.

Outlook

For the third quarter of fiscal 2009, we anticipate an increase in sales for the Space & Defense Group and relatively unchanged sales for the Wireless Group. As a result, we expect net sales to be in the range of \$41 to \$46 million. We expect GAAP net earnings per diluted share to be in the range of \$0.17 - \$0.20 using an anticipated tax rate of approximately 31% and accounting for approximately \$0.06 - \$0.07 per share in charges related to expected equity based compensation expense and amortization of acquired intangibles related to the two recent acquisitions. Non-GAAP net earnings per diluted share are expected to be in the range of \$0.23 - \$0.27 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.

These known risks and uncertainties include, but are not limited to: the Company’s ability to successfully integrate the MSK and Unicircuit acquisitions, including but not limited to, the timely installation of appropriate financial controls; unknown liabilities not identified during due diligence; not realizing the expected benefits of the acquisitions, including the realization of the accretive effects from the acquisitions; the Company’s increased indebtedness after the acquisitions, and the unanticipated loss of key management employees. Other non-acquisition related risks and uncertainties include: the Company’s ability to timely ramp up to meet some of our customers’ increased demands; potential delay or inability to collect account receivables due to the current economic recession; unanticipated delays in successfully completing customer orders within contractually required timeframes; unanticipated penalties resulting from failure to meet contractually imposed delivery schedules; unanticipated costs and damages resulting from replacement or repair of products found to include latent defects; 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; the ability to successfully transition the production of resistive products from the Company’s Salem, New Hampshire facility to the Company’s Suzhou China facility; 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 2008 Annual Report on Form 10-K for the fiscal year ended June 30, 2008 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 thomsonreuters.com at <http://www.thomsonreuters.com> on Thursday, January 29, 2009 at 5:00 p.m. EST. A replay of the conference call will be available at 8:00 p.m. (EST) beginning January 29, 2009 through midnight February 2, 2009. To listen to the replay, interested parties may dial in the U.S. at 1-800-642-1687 and international at 1-706-645-9291. The access code is 79890652. If you are unable to access the Live Webcast, the dial in number for the U.S. is 1-866-393-8503 and International is 1-706-634-0922.

Company Background

Anaren designs, manufactures and sells complex microwave components and subsystems 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.

ANAREN, INC.
Condensed Consolidated Statements of Income
(Unaudited)

	Three Months Ended		Six Months Ended	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Sales	\$ 41,442,845	\$ 32,367,982	\$ 79,567,313	\$ 64,458,174
Cost of sales	<u>29,144,274</u>	<u>21,967,487</u>	<u>55,744,607</u>	<u>43,538,693</u>
Gross profit	<u>12,298,571</u>	<u>10,400,495</u>	<u>23,822,706</u>	<u>20,919,481</u>
	29.7%	32.1%	29.9%	32.5%
Costs and expenses				
Marketing	2,051,649	1,775,816	4,145,165	3,533,183
Research and development	3,023,410	2,286,673	6,107,977	4,889,991
General and administrative	<u>4,972,357</u>	<u>3,363,262</u>	<u>9,392,295</u>	<u>6,725,506</u>
Total operating expenses	<u>10,047,416</u>	<u>7,425,751</u>	<u>19,645,437</u>	<u>15,148,680</u>
Operating income	<u>2,251,155</u>	<u>2,974,744</u>	<u>4,177,269</u>	<u>5,770,801</u>
	5.4%	9.2%	5.2%	9.0%
Other income (expense)				
Other income, primarily interest	306,981	598,366	710,351	1,348,409
Interest expense	<u>(622,455)</u>	<u>(9,796)</u>	<u>(888,262)</u>	<u>(46,432)</u>
Total other income (expense)	<u>(315,474)</u>	<u>588,570</u>	<u>(177,911)</u>	<u>1,301,977</u>
Income before income tax	1,935,681	3,563,314	3,999,358	7,072,778
Income taxes	<u>352,000</u>	<u>1,012,000</u>	<u>1,074,000</u>	<u>1,816,000</u>
Net income	<u>\$ 1,583,681</u>	<u>\$ 2,551,314</u>	<u>\$ 2,925,358</u>	<u>\$ 5,256,778</u>
	3.8%	7.9%	3.7%	8.2%
Basic earnings per share:	<u>\$ 0.11</u>	<u>\$ 0.17</u>	<u>\$ 0.21</u>	<u>\$ 0.34</u>
Diluted earnings per share:	<u>\$ 0.11</u>	<u>\$ 0.17</u>	<u>\$ 0.21</u>	<u>\$ 0.34</u>
Shares used in computing net income per share				
Basic	<u>13,803,554</u>	<u>14,714,479</u>	<u>13,967,191</u>	<u>15,378,406</u>
Diluted	<u>13,974,313</u>	<u>14,993,433</u>	<u>14,121,072</u>	<u>15,679,369</u>

ANAREN, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

	<u>Dec. 31, 2008</u>	<u>June 30, 2008</u>
Assets:		
Cash, cash equivalents and short-term investments	\$ 41,337,360	\$ 31,784,754
Accounts receivable, net	26,636,284	23,101,590
Other receivables	1,358,628	1,505,162
Inventories	38,610,295	26,981,367
Other current assets	4,028,988	3,409,084
Total current assets	<u>111,971,555</u>	<u>86,781,957</u>
Net property, plant and equipment	55,259,370	42,266,431
Securities available for sale	-	314,200
Securities held to maturity	4,036,195	11,993,768
Goodwill	40,424,164	30,715,861
Other intangibles	13,895,003	-
Other assets	30,068	31,159
Total assets	<u>\$ 225,616,355</u>	<u>\$ 172,103,376</u>
 <u>Liabilities and stockholders' equity</u>		
Liabilities:		
Current portion long-term debt	\$ 9,800,000	\$ -
Accounts payable	8,676,375	9,160,496
Accrued expenses	3,088,507	2,581,074
Customer advance payments	861,816	1,259,001
Other liabilities	3,912,685	2,618,422
Total current liabilities	<u>26,339,383</u>	<u>15,618,993</u>
Long term debt	40,000,000	-
Other non-current liabilities	8,072,900	5,620,727
Total liabilities	<u>74,412,283</u>	<u>21,239,720</u>
 Stockholders' equity:		
Retained earnings	97,465,640	94,540,282
Common stock and additional paid-in capital	194,844,647	192,587,790
Accumulated comprehensive loss	(171,812)	(343,990)
Less: cost of treasury stock	<u>(140,934,403)</u>	<u>(135,920,426)</u>
Total stockholders' equity	<u>151,204,072</u>	<u>150,863,656</u>
Total liabilities and stockholders' equity	<u>\$ 225,616,355</u>	<u>\$ 172,103,376</u>

ANAREN, INC.
Reconciliation of GAAP and Non-GAAP Gross Profit, Operating Income, and Earnings Per Share
(Unaudited)

	Three Months Ended		Six Months Ended	
	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
Net sales	\$ 41,442,845	\$ 32,367,982	\$ 79,567,313	\$ 64,458,174
GAAP gross profit	12,298,571	10,400,495	23,822,706	20,919,481
Equity based compensation expense (1)	259,583	217,667	449,500	432,573
Acquisition related inventory step-up (2)	1,106,764	-	2,163,506	-
Acquisition related amortization of intangibles (3)	210,500	-	350,833	-
Non-GAAP gross profit	<u>\$ 13,875,418</u>	<u>\$ 10,618,162</u>	<u>\$ 26,786,545</u>	<u>\$ 21,352,054</u>
% of sales	33.5%	32.8%	33.7%	33.1%
GAAP operating income	\$ 2,251,155	\$ 2,974,744	\$ 4,177,269	\$ 5,770,801
Equity based compensation expense (1)	985,502	942,124	2,051,217	1,838,262
Acquisition related inventory step-up (2)	1,106,764	-	2,163,506	-
Acquisition related amortization of intangibles (3)	443,123	-	714,997	-
Non-GAAP operating income	<u>\$ 4,786,544</u>	<u>\$ 3,916,868</u>	<u>\$ 9,106,989</u>	<u>\$ 7,609,063</u>
% of sales	11.5%	12.1%	11.4%	11.8%
GAAP net income	\$ 1,583,681	\$ 2,551,314	\$ 2,925,358	\$ 5,256,778
Equity based compensation expense (1)	985,502	942,124	2,051,217	1,838,262
Acquisition related inventory step-up (2)	1,106,764	-	2,163,506	-
Acquisition related amortization of intangibles (3)	443,123	-	714,997	-
Tax effect	(855,000)	(250,000)	(1,624,000)	(473,000)
Non-GAAP net income	<u>\$ 3,264,070</u>	<u>\$ 3,243,438</u>	<u>\$ 6,231,078</u>	<u>\$ 6,622,040</u>
% of sales	7.9%	10.0%	7.8%	10.3%
Diluted earnings per share:				
GAAP net income	\$ 0.11	\$ 0.17	\$ 0.21	\$ 0.34
Equity based compensation expense	\$ 0.07	\$ 0.06	\$ 0.15	\$ 0.11
Acquisition related inventory step-up	\$ 0.08	\$ -	\$ 0.15	\$ -
Acquisition related amortization of intangibles	\$ 0.03	\$ -	\$ 0.05	\$ -
Tax adjustments	\$ (0.06)	\$ (0.01)	\$ (0.12)	\$ (0.03)
Non-GAAP net income per share	<u>\$ 0.23</u>	<u>\$ 0.22</u>	<u>\$ 0.44</u>	<u>\$ 0.42</u>
Shares used in computing diluted net income per share	<u>13,967,191</u>	<u>14,993,433</u>	<u>14,121,072</u>	<u>15,679,369</u>

- 1) These costs represent expense recognized in accordance with FASB Statement No. 123R, Share-based Payment.
- 2) These costs represent purchase accounting charges for step-up in inventory to fair market value charged to cost of goods sold related to the sale of acquisition related inventory in the six months and quarter ended December 31, 2008.
- 3) These costs represent amortization of purchase accounting charges for acquisition related intangibles charged to expense for the six months and quarter ended December 31, 2008.
- 4) The following table details the Non-GAAP, Non-Cash expenses related to equity compensation and acquisition related inventory step-up and intangible amortization by expense category.

Three Months Ended December 31, 2008

	<u>Equity Based Compensation</u>	<u>Acquisition Inventory Step-up</u>	<u>Intangible Amortization</u>	<u>Total</u>
Cost of Sales	\$ 259,583	\$1,106,764	\$ 210,500	\$ 1,576,847
Marketing	74,663	-	-	74,663
Research & Development	94,555	-	-	94,555
General and Administrative	<u>556,701</u>	<u>-</u>	<u>232,623</u>	<u>789,324</u>
	<u>\$ 985,502</u>	<u>\$1,106,764</u>	<u>\$ 443,123</u>	<u>\$ 2,535,389</u>

Six Months Ended December 31, 2008

	<u>Equity Based Compensation</u>	<u>Acquisition Inventory Step-up</u>	<u>Intangible Amortization</u>	<u>Total</u>
Cost of Sales	\$ 449,500	\$2,163,506	\$ 350,833	\$ 2,963,839
Marketing	145,686	-	-	145,686
Research & Development	279,301	-	-	279,301
General and Administrative	<u>1,176,730</u>	<u>-</u>	<u>364,164</u>	<u>1,540,894</u>
	<u>\$2,051,217</u>	<u>\$2,163,506</u>	<u>\$ 714,997</u>	<u>\$ 4,929,720</u>

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

	<u>Three Months</u> <u>Ended</u> <u>Dec., 31, 2008</u>	<u>Six Months</u> <u>Ended</u> <u>Dec., 31, 2008</u>
Cash flows from operating activities:		
Net income	\$ 1,583,681	\$ 2,925,358
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,045,680	3,923,765
Amortization	533,339	915,884
Loss on disposal of fixed asset	(8,012)	(3,791)
Deferred income taxes	(261,000)	(528,000)
Equity based compensation	985,502	2,051,217
Receivables	625,166	2,885,890
Inventories	(171,286)	(487,370)
Accounts payable	(1,326,320)	(1,997,511)
Other assets and liabilities	(1,484,898)	(2,180,052)
Net cash provided by operating activities	<u>2,521,852</u>	<u>7,505,390</u>
Cash flows from investing activities:		
Capital expenditures	(1,801,810)	(3,635,771)
Payment for purchase of acquisitions	-	(47,295,874)
Net maturities of marketable debt and equity securities	<u>6,682,019</u>	<u>13,778,709</u>
Net cash provided by (used in) investing activities	<u>4,880,209</u>	<u>(37,152,936)</u>
Cash flows from financing activities:		
Proceeds from note payable	-	49,800,000
Payment on mortgage payable	-	(1,209,574)
Stock options exercised	112,291	204,401
Excess tax benefit from exercise of stock options	23,262	27,946
Purchase of treasury stock	<u>-</u>	<u>(5,013,977)</u>
Net cash provided by financing activities	<u>135,553</u>	<u>43,808,796</u>
Effect of exchange rates	12,880	13,379
Net increase in cash and cash equivalents	7,550,494	14,174,629
Cash and cash equivalents at beginning of period	<u>17,334,960</u>	<u>10,710,825</u>
Cash and cash equivalents at end of period	<u>\$ 24,885,454</u>	<u>\$ 24,885,454</u>