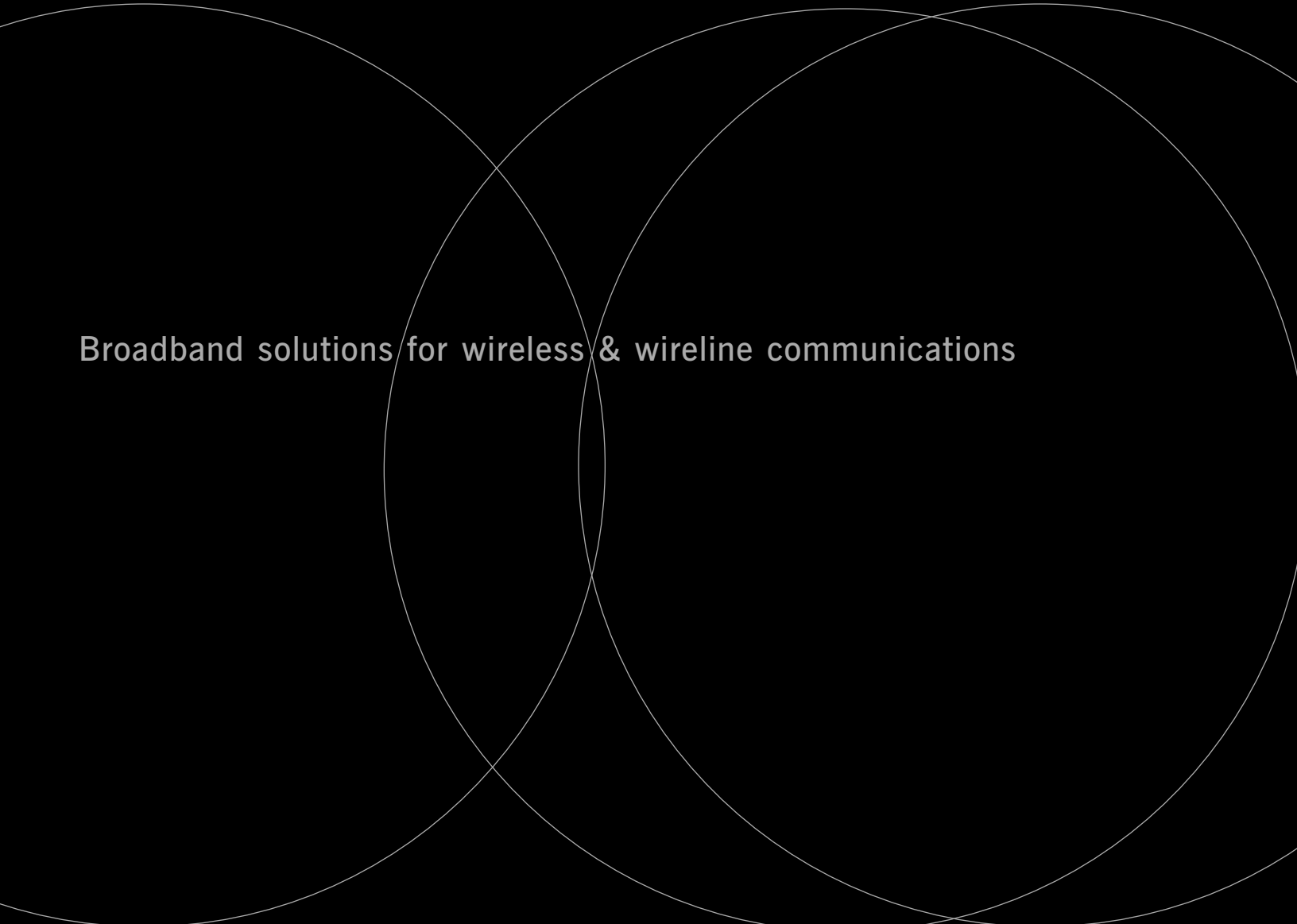
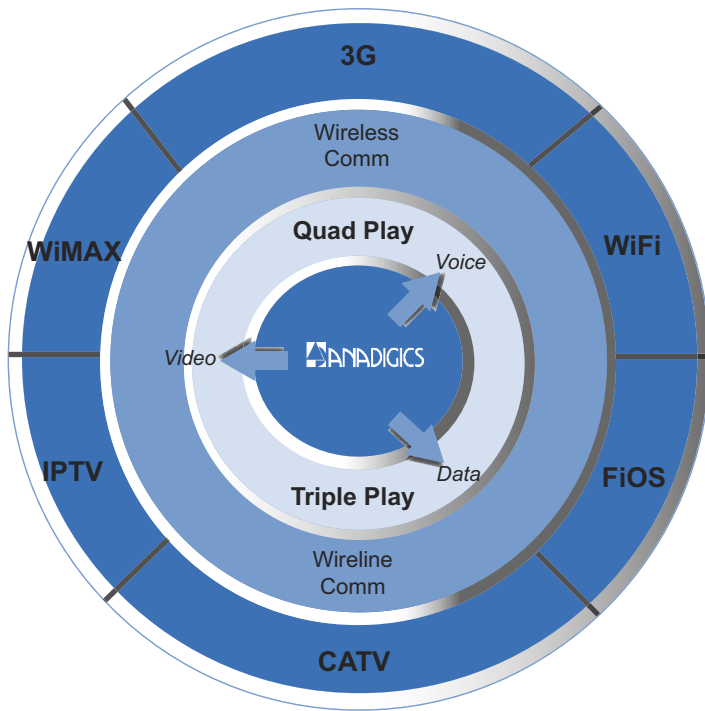




2006 ANNUAL REPORT

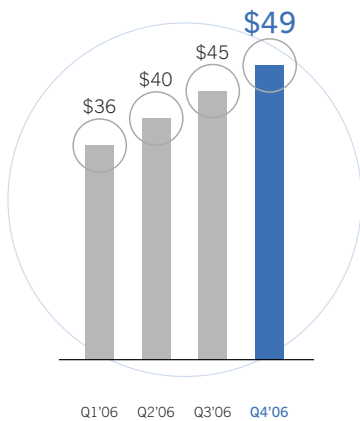
A large graphic consisting of two overlapping circles, one on the left and one on the right, with a central intersection. The circles are thin white lines on a black background.

Broadband solutions for wireless & wireline communications

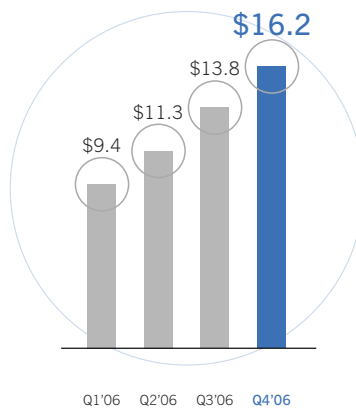


ANADIGICS is uniquely positioned to capitalize on the rapidly growing voice, data and video segments of the broadband, 3G, wireless and wireline communication markets benefiting from the Triple and Quad Play in the industry. ANADIGICS has positioned itself in the sweet spot of these growth areas and our strong product portfolio is being recognized for 3G, 3.5G, HSDPA and HSUPA, 4G, WiMax and WiBro, WiFi 802.11 a/b/g and 802.11n standards, and CATV set-top boxes, CATV infrastructure and FIOS.

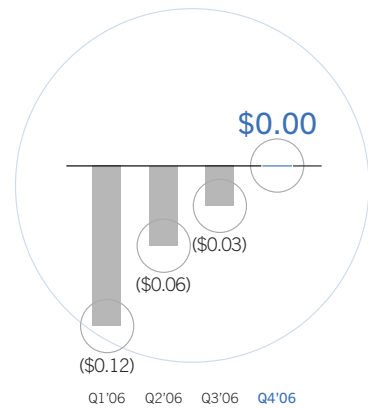
Revenue
in millions



Gross Profit
in millions



EPS



Dear Shareholders,

ANADIGICS is at the crossroads of the triple and quad play focused on developing front-end solutions and partnering with industry-leading wireless chipset providers to incorporate our solutions into their reference designs.

2006 was a dynamic growth year for ANADIGICS! Our continued pursuit of our strategic objective to be a leading supplier of semiconductor solutions has placed ANADIGICS at the front of our industry peer group in terms of revenue growth, and customer base expansion with technology that is, in some cases, several generations ahead of the competition.



We continue to strengthen our position with tier-one manufacturers and expand our relationships with leading chipset suppliers in the wireless and wireline communication markets. Our focus on developing a leading edge portfolio of products, coupled with industry trends leading to increased integration, has resulted in a significant increase in the number of RF (radio frequency) components being incorporated into end-user products such as mobile handheld devices, WLAN notebooks, and multifunction DVR and PVR set-top boxes.

Our 2006 revenue climbed by 57% over 2005, an amount well ahead of average market growth including that of our industry peer group. We continue to move towards profitability, breaking even on a per share basis for the fourth quarter of 2006 and our gross margin showed continued improvement throughout 2006.

SUCCESS DRIVERS

ANADIGICS' success is driven by the following three key factors:

- We are well-positioned to capitalize on market megatrends in the 3G, WiFi and CATV markets.
- We have increased our product content in markets where multiple PAs and multiple tuner ICs are required.
- Our business model has resulted in greater financial leverage as we have increased utilization of our production, capacity, as well as our higher margin product mix.

The growth in these target markets is driven by consumer demand for multimedia and greater bandwidth.

MEGATRENDS

Mobile handheld devices have evolved from pure voice to multimedia devices such as 3G, requiring multiple bands and multiple power amplifiers for operation. In the 3G market, Qualcomm is leading the industry in migration from 3G to 3.5G to HSDPA MSM6280 and HSUPA MSM7200 designs. ANADIGICS has established a solid relationship with Qualcomm as a

ANADIGICS IS A LEADING PROVIDER OF SEMICONDUCTOR SOLUTIONS IN THE RAPIDLY GROWING BROADBAND WIRELESS AND WIRELINE COMMUNICATIONS MARKETS. OUR INGAP-PLUS PROCESS AND DESIGN TECHNOLOGIES SUCH AS HELP™ PROVIDE A COMPETITIVE ADVANTAGE BY ENABLING US TO PROVIDE PAs ("POWER AMPLIFIERS") THAT CONSUME LESS BATTERY POWER AND EXTEND TALK TIME FOR PRODUCTS IN 3G, 3.5G AND 4G MARKETS.

ANADIGICS' business model generates greater financial leverage derived from increased utilization of our production capacity as well as our higher margin product mix.

reference design partner, which has enabled us to develop design technologies such as high efficiency at low power (HELP™). HELP™ reduces power by 50% and increases battery life by roughly 25% enabling people to talk or transmit data 25% longer.

In WiFi, also known as wireless LAN, the transition from b/g to a/b/g and now to N, also referred to as MIMO, continues to be a very strong catalyst for increased power amplifier content in end-user devices for ANADIGICS. ANADIGICS' N + 2 product generation relationships with market leaders, such as Intel, has allowed us to set the standard in product performance and integration, raising the bar for the competition in the RF front-end.

The third megatrend growth engine is the CATV market which encompasses both set-top boxes and infrastructure. The CATV set-top box market is increasingly moving to high-end set-top boxes with DVRs that require multiple semiconductor tuners and an active splitter, thereby increasing the demand for the components we manufacture. Set-top boxes are incorporating advanced functionalities, such as DVR, HDTV, wireless Internet access, interactive services, home networking and gaming. These new features are driving demand for both new and replacement set-top boxes, and with continued growth in DVRs, demand for our components increase even more rapidly.

The CATV infrastructure market is also experiencing growth, in both the US and International markets. Through our collaboration with Cisco, ANADIGICS is participating in the infrastructure bandwidth upgrade to 1GHz. This is another area of our participation in the N + 2 technology generation. Additionally, we are benefiting from the rollout of digital cable in China and parts of Europe.

LOOKING FORWARD

In addition to these current megatrends, ANADIGICS is also targeting the megatrends of tomorrow. These trends include 4G such as WiMax. ANADIGICS has already established itself in the WiMax market for the Samsung 4G terminal and is supplying products to infrastructure builders for point to point access. WiMax is the 2008 mobility standard proposition for mobile broadband. Another trend is based on transition to the DOCSIS 3.0 standard for cable modems. DOCSIS 3.0 multimedia content increases the number of channels significantly requiring digital tuners with higher linearity. We believe the standard change from DOCSIS 2.0 to 3.0 will occur in 2008. Also joining the line up of our megatrends, is FiOS. ANADIGICS is well plugged into the telco "triple play" by Verizon's FiOS rollout, by supplying amplifiers for infrastructure and ONT boxes to such industry leaders at Tellabs, AFC, and Pacific Broadband.

ANADIGICS is positioned in 2007 as a highly recognized innovator and industry leader in 3G, 4G, WiMax, WiFi, CATV set-top boxes and infrastructure. We believe we will continue to see our target markets grow substantially, be able to increase our market share and dollar content, and improve profitability.

I would like to thank all of our shareholders, employees, customers, partners, and suppliers for their contributions to ANADIGICS' accomplishments in 2006. I am very optimistic about our Company's growth in 2007 and beyond and I am looking forward to working together to continue our success.

Sincerely,



Dr. Bami Bastani

President and Chief Executive Officer

SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our financial statements, related notes and other financial information included herein. The selected consolidated financial data set forth below as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005, and 2004 have been derived from our audited financial statements included herein. The selected consolidated financial data set forth below as of December 31, 2004, 2003 and 2002 and for the years ended December 31, 2003 and 2002 have been derived from our audited financial statements that are not included herein or incorporated by reference herein. Our historical results are not necessarily indicative of the results that may be expected for any future period.

	2002	2003	2004	2005	2006
Results of Operations:					
Net sales	\$ 82,564	\$ 75,212	\$ 91,350	\$108,281	\$169,885
Gross profit	7,262	3,285	13,995	22,352	50,710
Operating loss	(65,565)	(50,998)	(41,822)	(28,727)	(9,480)
Loss before income taxes	(52,183)	(51,139)	(43,082)	(31,233)	(8,850)
Net loss	(55,886)	(50,757)	(43,082)	(31,233)	(8,850)
Loss per share:					
Basic and diluted	\$ (1.83)	\$ (1.65)	\$ (1.33)	\$ (0.92)	\$ (0.20)
Balance Sheet Data:					
Total cash and marketable securities	\$155,518	\$121,630	\$104,051	\$ 86,357	\$ 83,482
Working capital	110,151	81,100	89,517	52,007	100,895
Total assets	255,671	207,898	185,895	168,273	182,602
Total capital lease obligations	—	90	18	2,032	1,775
Long-term debt, including current portion	66,700	66,700	84,700	84,700	38,000
Total stockholders’ equity	171,088	121,046	84,615	58,135	115,760

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a leading provider of semiconductor solutions in the rapidly growing broadband wireless and wireline communications markets. Our products include PAs, tuner integrated circuits, active splitters, line amplifiers and other components, which can be sold individually or packaged as integrated RF and front end modules. We believe that we are uniquely positioned to capitalize on the rapidly-growing voice, data and video segments of the broadband wireless and wireline communications markets. We offer 3G products that use the W-CDMA and EDGE standards, 3.5G products that use the HSDPA and HSUPA standards, 4G products for WiMAX and WiBRO systems, WiFi products that use the 802.11 a/b/g and 802.11 n (draft-n, MIMO) standards, CATV set-top box products, CATV infrastructure products and FTTP products.

Our business strategy focuses on developing RF front end solutions and partnering with industry-leading wireless chipset providers to incorporate our solutions into their reference designs. Our integrated solutions enable our customers to improve RF performance, power efficiency, reliability, time-to-market and the integration of chip components into single packages, while reducing the size, weight and cost of their products. We have established longstanding relationships with several of the industry-leading chipset suppliers and tier-one customers. For example, our relationships with Cisco, Intel, Motorola and Qualcomm have enabled us to develop RF products used in 3G, 3.5G, 4G WiMAX, WiFi and CATV products and to be the primary supplier with respect to such partners and customers. Other leading chipset suppliers and tier-one customers with whom we have longstanding relationships include Atheros, HTC, Huawei, Kyocera, Lenovo, LG Electronics, Marvell, MediaTek, Murata, Novatel, Palm, RIM, Samsung, Sierra Wireless, TCL, TDK, Texas Instruments and ZTE.

We continue to focus on leveraging our technological and manufacturing advantages to remain a leading supplier of semiconductor solutions for broadband wireless and wireline communications. We believe our patented InGaP-*plus* technology, which combines the bipolar technology of a PA (HBT "PA") with the surface device technology of an RF active switch (pHEMT) on the same die, provides us with a competitive advantage in the marketplace. Additionally, we believe our InGaP-*plus* process and design technologies such as HELP provide a competitive advantage by enabling us to provide PAs that consume less battery power and extend talk time for products in the 3G, 3.5G and 4G markets.

Our primary fab, a state-of-the-art six-inch diameter GaAs fab located at our corporate headquarters in Warren, New Jersey, has been operational since 1999. The increased utilization of our fab's manufacturing capacity has increased our gross margins, which has provided us with greater financial leverage. We anticipate that with incremental capital expenditures our Warren, New Jersey fab will fulfill our manufacturing needs into 2009. We are actively exploring future sources of additional manufacturing capacity through the construction or acquisition of manufacturing facilities in low-cost manufacturing countries such as China, as well as pursuing relationships with foundries in Taiwan. Unlike traditional CMOS silicon fabs that have short technology lifecycles and require frequent capital investments, GaAs fabs are more similar to analog fabs that have long lifecycles and do not become quickly outdated. Our six-inch wafer fab allows us to produce more than twice the RF die per wafer compared with the four-inch wafer fabs still used by some of our competitors. We believe our strong fabrication capability and available capacity, combined with integrated product design and logistics expertise, allow us to quickly develop and manufacture products for which demand has grown.

We have fixed expenses particularly relating to capital equipment and manufacturing overhead. Accordingly, as unit volume throughput increased in recent years, our fixed production costs decreased as a percentage of revenue and our gross margin and profitability improved. Decreases in volume would have the inverse effect. We will continue to invest in selected strategic research and development programs to maintain our competitive position.

We experienced net sales growth approximating 20% during 2004 and 2005 as our broadband and wireless businesses benefited from unit growth in addition to accelerated demand, a better pricing environment and acceptance of new product developments. These trends were felt across our end markets and continued in 2006.

In 2006, our businesses grew over 50%, as new product offerings were well timed to market demand and benefited from increased RF content and functionality. This trend was observed throughout the year and we ended 2006 by recording our seventh consecutive quarter of sales growth. The sales growth and leverage of our fixed manufacturing expense base, led to gross margin increases and substantially lessened our operating and net losses during the period.

We believe our markets are, and will continue to remain, competitive, which could result in continued quarterly volatility in our net sales. This competition has resulted in, and is expected to continue to result in, declining average selling prices for our products and increased challenges in maintaining or increasing market share.

We have only one reportable segment. For financial information related to such segment and certain geographic areas, see Note 4 to the accompanying consolidated financial statements.

Critical Accounting Policies

GENERAL

We believe the following accounting policies are critical to our business operations and the understanding of our results of operations. Such accounting policies may require management to exercise a higher degree of judgment and make estimates used in the preparation of our consolidated financial statements.

REVENUE RECOGNITION

Revenue from product sales is recognized when the title, risk and rewards of product ownership are transferred to the customer, price and terms are fixed, no significant vendor obligation exists and collection of the resulting receivable is reasonably assured. We sell to certain distributors who are granted rights of return and exchange and certain price protection. Revenue is not recognized for the portion of shipments subject to return, exchange or price protection until such rights expire. We charge customers for the costs of certain contractually-committed inventories that remain at the end of a product's life. Cancellation revenue is recognized when cash is received. The value of the inventory related to cancellation revenue may, in some instances, have been reserved during prior periods in accordance with our inventory obsolescence policy.

WARRANTY COSTS

We provide for potential warranty claims by recording a current charge to income. We estimate potential claims by examining historical returns and other information deemed critical and provide for an amount which we believe will cover future warranty obligations for products sold during the year. The accrued liability for warranty costs is included in accrued liabilities in the consolidated balance sheets.

LONG-LIVED ASSETS

Long-lived assets include fixed assets, goodwill and other intangible assets. We regularly review these assets for indicators of impairment and assess the carrying value of the assets against market values. When an impairment exists, we record an expense to the extent that the carrying value exceeds fair market value.

Goodwill and intangibles impairment

We have intangible assets related to goodwill and other acquired intangibles. Significant judgments are involved in the determination of the estimated useful lives for our other intangibles and whether the goodwill or other intangible assets are impaired. In assessing the recoverability of goodwill and other intangibles, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets.

Impairment of long-lived assets

We record impairment losses on long-lived assets used in operations or expected to be disposed of when events and circumstances indicate that the undiscounted cash flows estimated to be generated by these assets is less than the carrying amounts of those assets. Management considers sensitivities to capacity, utilization and technological developments in making its assumptions.

DEFERRED TAXES

We record a valuation allowance to reduce deferred tax assets when it is more likely than not that some portion of the amount may not be realized. During 2001, we determined that it was no longer more likely than not that we would be able to realize all or part of our net deferred tax asset in the future, and an adjustment to provide a valuation allowance against the deferred tax asset was charged to income. We continue to maintain a full valuation allowance on our deferred tax assets.

While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future, an adjustment to the deferred tax asset would increase income in the period such determination was made.

INVENTORY

Inventories are valued at the lower of cost or market ("LCM"), using the first-in, first-out method. In addition to LCM limitations, we reserve against inventory items for estimated obsolescence or unmarketable inventory. Our reserve for excess and obsolete inventory is primarily based upon forecasted short-term demand for the product and any change to the reserve arising from forecast revisions is reflected in cost of sales in the period the revision is made.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

We maintain an allowance for doubtful accounts for estimated losses resulting from our customers' failure to make payments. If the financial condition of our customers were to erode, making them unable to make payments, additional allowances may be required.

STOCK-BASED COMPENSATION

Effective January 1, 2006, we account for stock-based compensation costs in accordance with Financial Accounting Standards Board Statement No. 123R Share-Based Payment ("FAS 123R"), which requires the measurement and recognition of compensation expense for all stock-based payment awards made to our employees and directors. Under the fair value recognition provisions of FAS 123R, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period which in most cases is the vesting period. Determining the fair value of stock-based awards at the grant date requires considerable judgment, including estimating expected volatility, expected term and risk-free rate. Our expected volatility is a combination of both Company and peer company historical volatility. The expected term of the stock options is based on several factors including historical observations of employee exercise patterns and expectations of employee exercise behavior in the future giving consideration to the contractual terms of the stock-based awards. The risk-free interest rate assumption is based on the yield at the time of grant of a U.S. Treasury security with an equivalent remaining term. If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past.

Results of Operations

The following table sets forth statements of operations data as a percentage of net sales for the periods indicated:

	2004	2005	2006
Net sales	100.0%	100.0%	100.0%
Cost of sales	84.7	79.4	70.1
Gross profit	15.3	20.6	29.9
Research and development expense	36.5	27.6	21.0
Selling and administrative expenses	24.6	19.6	14.5
Restructuring and other charges	—	(0.1)	—
Operating loss	(45.8)	(26.5)	(5.6)
Interest income	2.4	2.3	3.2
Interest expense	(4.5)	(4.6)	(2.8)
Gain on repurchase of convertible notes	0.4	—	—
Other income	0.3	—	—
Net loss	(47.2%)	(28.8%)	(5.2%)

2006 Compared to 2005

NET SALES. Net sales during 2006 increased 56.9% to \$169.9 million, compared to \$108.3 million for 2005. The net sales improvement was primarily due to new demand from the market's evolution to third generation (EDGE, WEDGE and W-CDMA) PAs, an increase in demand for our traditional CDMA and GSM technologies used in wireless handsets and hand-held devices, and increased demand for broadband products such as WLAN PAs, used in wireless personal computer access and RFICs, used in infrastructure applications.

Sales during 2006 of RFICs used for cellular and personal communication system applications increased 71.8% during 2006 to \$91.3 million from \$53.2 million in 2005. This increase in sales of integrated circuits for wireless applications for the year ended December 31, 2006 compared with 2005 was primarily due to increased demand for our 3G, CDMA and GSM PAs amounting to \$23.3 million, \$9.7 million and \$5.8 million, respectively.

Specifically, net sales of RFICs used for broadband applications increased 42.6% to \$78.6 million in 2006 from \$55.1 million in 2005. This increase in sales was primarily due to an increase in demand for infrastructure products and increased average selling prices for WLAN products accounting for increases in sales of \$5.6 million and \$17.4 million, respectively. Sales of WLAN PAs benefited from the market transition from 802.11 b/g PAs to 802.11 a/b/g PAs that have a higher selling price for the increased functionality.

GROSS MARGIN. Gross margin for 2006 improved to 29.9% of net sales, compared with 20.6% of net sales in the prior year. The increase in gross margin from the prior year is the result of the increase in net sales and production volumes with the consequent absorption of fixed costs.

RESEARCH & DEVELOPMENT. Company sponsored research and development expenses increased 19.1% during 2006 to \$35.6 million from \$29.9 million during 2005 primarily due to accelerated customer demand for new product development, which led to increased staffing and costs in addition to increased stock-based compensation of \$2.1 million.

SELLING AND ADMINISTRATIVE. Selling and administrative expenses increased 15.4% during 2006 to \$24.6 million from \$21.3 million in 2005. The increase was primarily due to increased stock-based compensation of \$2.4 million.

RESTRUCTURING AND OTHER CHARGES. During 2005, we settled an exit obligation for certain redundant leasehold premises resulting in a savings of \$0.1 million against a previously recorded restructuring charge.

INTEREST INCOME. Interest income increased 120.4% to \$5.4 million during 2006 from \$2.5 million in 2005. The increase was primarily due to higher average funds invested as a result of our underwritten public offering of 10.4 million shares of common stock in March of 2006 (the "March 2006 Offering") and higher interest rates.

INTEREST EXPENSE. Interest expense decreased to \$4.8 million in 2006 from \$5.0 million in 2005. Interest expense arose from obligations under our 5% Convertible Senior Notes due in 2006 ("2006 Notes") and our 5% Convertible Senior Notes due in 2009 ("2009 Notes"). In November 2006, we repaid the remaining \$46.7 million aggregate principal amount outstanding of our 2006 Notes.

2005 Compared to 2004

NET SALES. Net sales in 2005 increased 18.5% to \$108.3 million, compared to \$91.3 million for 2004. The increase in net sales of \$17.0 million was primarily due to i) an increase of \$16.4 million in our sales of GSM PA products used in wireless handsets, ii) an increase of \$8.2 million in our sales of WLAN PAs used in the network computer market and iii) an increase of \$2.4 million in our sales of tuner and active splitter products used in the cable set-top box market. Partially offsetting these increases were i) a decrease of \$5.9 million in our sales of CDMA PAs and ii) a decrease of \$2.3 million in our sales of

switch products used in wireless handsets. The decline in net sales of CDMA PAs was primarily due to a transition in 2005 to lower-priced next generation PA modules and declines in average selling prices. The decline in net sales of switch products was primarily due to our decision to reduce our research and development expenditures in this product line.

Specifically, net sales in 2005 of our wireless products increased 17.1% to \$53.2 million compared to \$45.4 million for 2004. Net sales in 2005 of our broadband products increased 19.9% to \$55.1 million compared to \$46.0 million in 2004.

GROSS MARGIN. Gross margin for 2005 improved to 20.6% of net sales, compared with 15.3% of net sales in the prior year. The increase in gross margin from the prior year is the result of increased sales and production volumes with consequent absorption of fixed costs. The decrease in our depreciation expense of \$4.1 million offset declines in average selling prices.

RESEARCH & DEVELOPMENT. Company sponsored research and development expenses decreased 10.2% during 2005 to \$29.9 million from \$33.3 million during 2004 primarily due to decreased headcount and related compensation expense.

SELLING AND ADMINISTRATIVE. Selling and administrative expenses decreased 5.4% during 2005 to \$21.3 million from \$22.5 million in 2004. The decrease was primarily due to decreased headcount, compensation expense and related costs within sales and marketing.

RESTRUCTURING AND OTHER CHARGES. During 2005, we settled an exit obligation for certain redundant leasehold premises resulting in a savings of \$0.1 million against a previously recorded restructuring charge.

Activity and liability balances related to the restructuring and other charges for the years ended December 31, 2004 and 2005 are as follows (in millions):

	Lease Related
<hr/>	
Year ended December 31, 2004:	
Beginning balance	\$ 2.0
Deductions	(1.3)
<hr/>	
December 31, 2004 restructuring balance	0.7
Year ended December 31, 2005:	
Deductions	(0.6)
Savings on settlement of obligation	(0.1)
<hr/>	
December 31, 2005 restructuring balance	—
<hr/>	

INTEREST INCOME. Interest income increased 12% to \$2.5 million during 2005 from \$2.2 million in 2004. The increase was due to higher average interest rates.

INTEREST EXPENSE. Interest expense increased to \$5.0 million in 2005 from \$4.1 million in 2004. Interest expense arises from obligations under our 2006 Notes and our 2009 Notes. In September 2004, we repurchased \$20.0 million aggregate principal amount of our 2006 Notes and consequently reduced the outstanding principal balance to \$46.7 million, and concurrently issued \$38.0 million aggregate principal amount of our 2009 Notes.

GAIN ON REPURCHASE OF CONVERTIBLE NOTES. During 2004, we recognized a gain of \$0.3 million, on the repurchase of \$20.0 million aggregate principal amount of our 2006 Notes, after adjusting for accrued interest and the write-off of a proportionate share of unamortized offering costs.

Liquidity and Sources of Capital

At December 31, 2006 we had \$13.7 million of cash and cash equivalents on hand and \$69.8 million in marketable securities. We had \$38.0 million aggregate principal amount of our 2009 Notes outstanding as of December 31, 2006.

Operations required the use of \$0.5 million in cash during 2006. Investing activities used \$8.6 million of cash during 2006, consisting principally of purchases of equipment of \$13.4 million, partially offset by net proceeds on sales of marketable securities of \$4.7 million. Financing activities provided \$10.9 million of cash in 2006, primarily consisting of proceeds received from the issuance of stock, principally from the March 2006 Offering, and was partially offset by the \$46.7 million repayment of our 2006 Convertible Notes.

We believe that our existing sources of capital, including our existing cash and marketable securities, will be adequate to satisfy operational needs and anticipated capital needs for at least the next twelve months. Our anticipated capital needs may include acquisitions of complementary businesses or technologies, investments in other companies or repurchases of our outstanding debt or equity. We may elect to finance all or part of our future capital requirements through additional equity or debt financing. There can be no assurance that such additional financing would be available on satisfactory terms.

Our ability to pay principal and interest on our \$38.0 million in outstanding convertible senior unsecured notes, which are due in October of 2009, and our other debt and to fund our planned capital expenditures depends on our future operating performance.

The table below summarizes required cash payments as of December 31, 2006:

Contractual Obligations	Payments Due By Period (in thousands)				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt plus the interest payable with respect thereto	\$43,304	\$ 1,900	\$41,404	\$ —	\$ —
Operating leases	20,211	2,243	3,853	3,717	10,398
Capital leases	2,133	427	854	852	—
Unconditional purchase obligations	10,495	10,495	—	—	—
Total contractual cash obligations	\$76,143	\$15,065	\$46,111	\$4,569	\$10,398

Impact of Recently Issued Accounting Standards

Effective January 1, 2006, the Company adopted Financial Accounting Standards Board (“FASB”) Statement No. 151 (“FAS 151”), Inventory Costs, an amendment of Accounting Research Bulletin No. 43 (“ARB No. 43”), Chapter 4. FAS 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and wasted materials should be recognized as current period charges. In addition, FAS 151 requires that allocation of fixed production overhead to inventory be based on the normal capacity of the production facilities. The adoption of FAS 151 did not have a material impact on the condensed consolidated financial statements.

In July 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109” (“FIN 48”), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company adopted FIN 48 on January 1, 2007 and currently believes it will not have a material impact on its consolidated financial statements.

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" ("FAS 157") which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company has not yet determined the impact FAS 157 may have on our results from operations or financial position.

In February 2007, the FASB issued FASB Statement No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities ("FAS 159"), which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. FAS 159 is effective for fiscal years beginning after November 15, 2007. The Company has not yet determined the impact FAS 159 may have on our results of operations or financial position.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to changes in interest rates primarily from our investments in certain available-for-sale securities. Our available-for-sale securities consist primarily of fixed income investments, including corporate bonds, commercial paper and Federal, state, municipal, and agency securities. We continually monitor our exposure to changes in interest rates and the credit ratings of issuers with respect to our available-for-sale securities. Accordingly, we believe that the effects of changes in interest rates and the credit ratings of these issuers are limited and would not have a material impact on our financial condition or results of operations. However, it is possible that we would be at risk if interest rates or the credit ratings of these issuers were to change in an unfavorable direction. The magnitude of any gain or loss would be a function of the difference between the fixed rate of the financial instrument and the market rate and our financial condition and results of operations could be materially affected.

At December 31, 2006, we held marketable securities with an estimated fair value of \$69.8 million. Our primary interest rate exposure results from changes in short-term interest rates. We do not purchase

financial instruments for trading or speculative purposes. All of our marketable securities are classified as available-for-sale securities. The following table provides information about our marketable securities at December 31, 2006:

(\$'s 000)	Estimated Principal Amount and Weighted Average Stated Rate by Expected Maturity Value				Fair Value
	2007	2008	2009	Total	(\$'s 000)
Principal	\$60,885	\$9,000	\$—	\$69,885	\$69,776
Weighted Average Stated Rates	5.40%	4.26%	—	5.26%	—

The stated rates of interest expressed in the above table may not approximate the actual yield of the securities which we currently hold since we have purchased some of our marketable securities at other than face value. Additionally, some of the securities represented in the above table may be called or redeemed, at the option of the issuer, prior to their expected due dates. If such early redemptions occur, we may reinvest the proceeds realized on such calls or redemptions in marketable securities with stated rates of interest or yields that are lower than those of our current holdings, which would affect both future cash interest streams and future earnings. In addition to investments in marketable securities, we invest some of our cash in money market funds in order to keep cash available to fund operations and to hold cash pending investments in marketable securities. Fluctuations in short-term interest rates will affect the yield on monies invested in such money market funds. Such fluctuations can have an impact on our future cash interest streams and future earnings, but the impact of such fluctuations are not expected to be material.

Our 2009 Notes are convertible and bear a fixed rate of interest of 5%. A change in interest rates on long-term debt is assumed to impact fair value but not earnings or cash flow because the interest rate is fixed. At December 31, 2006, the fair value of our outstanding convertible notes, estimated based upon dealer quotes, was approximately \$71.5 million.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except per share amounts)	December 31,	
	2005	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,891	\$ 13,706
Marketable securities	70,364	60,892
Accounts receivable, net of allowance for doubtful accounts of \$1,060 and \$1,115 in 2005 and 2006, respectively	18,755	27,311
Inventories	16,009	20,355
Prepaid expenses and other current assets	2,188	2,662
Total current assets	119,207	124,926
Marketable securities	4,102	8,884
Plant and equipment		
Equipment and furniture	133,262	143,195
Leasehold improvements	38,748	38,748
Projects in process	1,617	4,975
	173,627	186,918
Less accumulated depreciation and amortization	137,320	145,550
	36,307	41,368
Goodwill and other intangibles, less accumulated amortization of \$499 and \$439 in 2005 and 2006, respectively	6,044	5,929
Other assets	2,613	1,495
	\$ 168,273	\$ 182,602
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 15,519	\$ 18,031
Accrued liabilities	4,672	5,688
Accrued restructuring costs	40	—
Current maturities of long-term debt	46,700	—
Current maturities of capital lease obligations	269	312
Total current liabilities	67,200	24,031
Other long-term liabilities	3,175	3,348
Long-term debt	38,000	38,000
Capital lease obligations, less current portion	1,763	1,463
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par value, 5,000 shares authorized, none issued or outstanding		
Common stock, convertible, non-voting, \$0.01 par value, 1,000 shares authorized, none issued or outstanding		
Common stock, \$0.01 par value, 144,000 shares authorized at December 31, 2005 and 2006, and 35,007 and 49,200 issued at December 31, 2005 and 2006, respectively	350	492
Additional paid-in capital	347,555	413,672
Accumulated deficit	(289,196)	(298,046)
Accumulated other comprehensive loss	(316)	(100)
Treasury stock at cost: 114 shares	(258)	(258)
Total stockholders' equity	58,135	115,760
	\$ 168,273	\$ 182,602

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share amounts)	Year Ended December 31,		
	2004	2005	2006
Net sales	\$ 91,350	\$108,281	\$169,885
Cost of sales	77,355	85,929	119,175
Gross profit	13,995	22,352	50,710
Research and development expenses	33,306	29,906	35,628
Selling and administrative expenses	22,511	21,293	24,562
Restructuring and other charges	—	(120)	—
	55,817	51,079	60,190
Operating loss	(41,822)	(28,727)	(9,480)
Interest income	2,203	2,473	5,450
Interest expense	(4,085)	(4,997)	(4,816)
Gain on repurchase of convertible notes	327	—	—
Other income (expense)	295	18	(4)
Net loss	\$(43,082)	\$ (31,233)	\$ (8,850)
Basic and diluted loss per share	\$ (1.33)	\$ (0.92)	\$ (0.20)
Weighted average basic and diluted common shares outstanding	32,413	34,012	43,814

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Amounts in thousands)	Year Ended December 31,		
	2004	2005	2006
Net loss	\$(43,082)	\$ (31,233)	\$ (8,850)
Other comprehensive income (loss)			
Unrealized (loss) gain on marketable securities	(617)	242	207
Foreign currency translation adjustment	12	(72)	9
Reclassification adjustment:			
Net realized gain previously included in other comprehensive income	(19)	—	—
Comprehensive loss	\$(43,706)	\$ (31,063)	\$ (8,634)

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Amounts in thousands)	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
Balance, December 31, 2003	31,226	\$312	—	\$ —	\$ 335,477	\$ (214,881)	\$ 138	\$ 121,046
Stock options exercised	536	5			1,355			1,360
Shares issued under employee stock purchase plan	182	2			561			563
Shares issued as contingent acquisition consideration	747	8			4,640			4,648
Restricted stock grant, net of forfeitures	381	4			(4)			—
Amortization of stock-based compensation					704			704
Other comprehensive loss							(624)	(624)
Net loss						(43,082)		(43,082)
Balance, December 31, 2004	33,072	331	—	—	342,733	(257,963)	(486)	84,615
Stock options exercised	417	4			1,160			1,164
Shares issued under employee stock purchase plan	328	3			1,025			1,028
Treasury share purchase			(114)	(258)				(258)
Restricted stock grant, net of forfeitures	1,190	12			(12)			—
Amortization of stock-based compensation					2,649			2,649
Other comprehensive income							170	170
Net loss						(31,233)		(31,233)
Balance, December 31, 2005	35,007	350	(114)	(258)	347,555	(289,196)	(316)	58,135
Stock options exercised	983	10			3,778			3,788
Shares issued under employee stock purchase plan	187	2			1,005			1,007
Issuance of common stock in public offering, net of expenses	10,446	104			53,006			53,110
Restricted stock grant, net of forfeitures	2,577	26			(26)			—
Amortization of stock-based compensation					8,354			8,354
Other comprehensive income							216	216
Net loss						(8,850)		(8,850)
Balance, December 31, 2006	49,200	\$492	(114)	\$(258)	\$413,672	\$(298,046)	\$(100)	\$115,760

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Year Ended December 31,		
	2004	2005	2006
Cash Flows from Operating Activities			
Net loss	\$(43,082)	\$(31,233)	\$ (8,850)
Adjustments to reconcile net loss to net cash used in operating activities:			
Gain on repurchase of convertible notes	(327)	—	—
Depreciation	15,282	10,921	7,931
Amortization	1,483	1,703	1,809
Stock-based compensation	704	2,649	8,354
Amortization of premium on marketable securities	2,090	1,189	163
Loss (gain) on sale of equipment	15	(1)	7
Changes in operating assets and liabilities:			
Accounts receivable	1,304	(7,985)	(8,556)
Inventory	(4,115)	(1,573)	(4,346)
Prepaid expenses and other assets	361	1,101	(703)
Accounts payable	(1,476)	7,498	2,512
Accrued and other liabilities	(1,892)	(701)	1,158
Net cash used in operating activities	(29,653)	(16,432)	(521)
Cash Flows from Investing Activities			
Purchases of plant and equipment	(3,427)	(2,262)	(13,374)
Purchases of marketable securities	(51,128)	(64,098)	(227,150)
Proceeds from sales of marketable securities	58,627	81,565	231,884
Business acquisitions	(55)	—	—
Proceeds from sale of equipment	130	53	28
Net cash provided (used) by investing activities	4,147	15,258	(8,612)
Cash Flows from Financing Activities			
Payment of obligations under capital leases	(66)	(40)	(257)
Proceeds from issuance of long-term debt net of offering costs	35,695	—	—
Repurchase of convertible notes	(19,400)	—	—
Repayment of convertible notes	—	—	(46,700)
Issuances of common stock, net of related expenses	1,923	2,192	57,905
Repurchase of common stock into treasury	—	(258)	—
Net cash provided by financing activities	18,152	1,894	10,948
Net (decrease) increase in cash and cash equivalents	(7,354)	720	1,815
Cash and cash equivalents at beginning of period	18,525	11,171	11,891
Cash and cash equivalents at end of period	\$ 11,171	\$ 11,891	\$ 13,706
Supplemental disclosures of cash flow information:			
Interest paid	\$ 3,193	\$ 4,346	\$ 4,370
Taxes paid	117	82	37
Acquisition of equipment under capital leases	—	2,055	—

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except per share amounts)

1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS AND BASIS OF PRESENTATION

We are a leading provider of semiconductor solutions in the rapidly growing broadband wireless and wireline communications markets. Our products include power amplifiers ("PAs"), tuner integrated circuits, active splitters, line amplifiers and other components, which can be sold individually or packaged as integrated radio frequency ("RF") and front end modules. We offer third generation ("3G") products that use the Wideband Code-Division Multiple Access ("W-CDMA") and Enhanced Data Rates for Global System for Mobile Communication ("GSM") Evolution ("EDGE") standards, beyond third generation ("3.5G") products that use the High Speed Down Line Packet Access ("HSDPA") and High Speed Uplink Line Packet Access ("HSUPA") standards, fourth generation ("4G") products for Worldwide Interoperability for Microwave Access ("WiMAX") and Wireless Broadband ("WiBRO") systems, Wireless Fidelity ("WiFi") products that use the 802.11 a/b/g and 802.11 n (draft-n, Multiple Input Multiple Output ("MIMO")) standards, cable television ("CATV") set-top box products, CATV infrastructure products and Fiber-To-The-Premises ("FTTP") products. Our integrated solutions enable our customers to improve RF performance, power efficiency, reliability, time-to-market and the integration of chip components into single packages, while reducing the size, weight and cost of their products.

We design, develop and manufacture RFICs primarily using GaAs compound semiconductor substrates with various process technologies, Metal Semiconductor Field Effect Transistors ("MESFET"), Pseudomorphic High Electron Mobility Transistors ("pHEMT"), and Heterojunction Bipolar Transistors ("HBT"). Our proprietary technology, which utilizes InGaP-plus™, combines InGaP HBT and pHEMT processes on a single substrate, enabling us to integrate the PA function and the RF active switch function on the same die. We fabricate substantially all of our ICs in our six-inch diameter GaAs wafer fabrication facility. We believe our strong fabrication capability combined with integrated product design and logistics expertise, allow quick development and manufacture of products to meet market and customer requirements.

The consolidated financial statements include the accounts of ANADIGICS, Inc. and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions

that affect the reported amounts in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates. Significant estimates that affect the financial statements include, but are not limited to: recoverability of inventories, useful lives and amortization periods and recoverability of long-lived assets.

CONCENTRATION OF CREDIT RISK

The Company grants trade credit to its customers, who are primarily foreign manufacturers of wireless communication devices, cable and broadcast television receivers and fiber optic communication devices. The Company performs periodic credit evaluations of its customers and generally does not require collateral. Sales and accounts receivable from customers are denominated in U.S. dollars. The Company has not experienced significant losses related to receivables from these individual customers.

Net sales to individual customers who accounted for 10% or more of the Company's total net sales and corresponding end application information are as follows:

Customer (application)	Year Ended December 31,					
	2004		2005		2006	
Intel (Broadband)	<10%	<10%	\$15,678	14%	\$29,827	18%
World Peace Group (Wireless & Broadband)	<10%	<10%	\$17,275	16%	\$28,175	17%
LG Electronics (Wireless)	\$13,628	15%	\$12,321	11%	<10%	<10%
Kyocera (Wireless)	\$ 9,751	11%	<10%	<10%	<10%	<10%
Motorola (Broadband)	\$ 9,184	10%	<10%	<10%	<10%	<10%
Cisco (Broadband)	\$ 9,218	10%	<10%	<10%	<10%	<10%

Accounts receivable at December 31, 2005 and 2006 from the greater than 10% customers accounted for 29% and 34% of total accounts receivable, respectively.

REVENUE RECOGNITION

Revenue from product sales is recognized when the title, risk and rewards of product ownership are transferred to the customer, price and terms are fixed, no significant vendor obligation exists and collection of the resulting receivable is reasonably assured. The Company sells to certain distributors who are granted rights of return and exchange and certain price protection. Revenue is not recognized for the portion of shipments subject to return, exchange or price protection until such rights expire. The Company charges customers for the costs of certain contractually-committed inventories that remain at the end of a product's life. Cancellation revenue is recognized when cash is received. The value of the inventory related to cancellation revenue may, in some instances, have been reserved during prior periods in accordance with the Company's inventory obsolescence policy. The

Company maintains an allowance for doubtful accounts for estimated losses resulting from customers' failure to make payments.

WARRANTY COSTS

The Company provides, by a current charge to income, an amount it estimates, by examining historical returns and other information it deems critical, will be needed to cover future warranty obligations for products sold during the year. The accrued liability for warranty costs is included in accrued liabilities in the consolidated balance sheets.

PLANT AND EQUIPMENT

Plant and equipment are stated at cost. Depreciation of plant, furniture and equipment has been provided on the straight-line method over 3-5 years. Leasehold improvements are amortized and included in depreciation over the useful life of the leasehold or the life of the lease, whichever is shorter.

The cost of equipment acquired under capital leases was \$9,781 and \$9,806 at December 31, 2005 and 2006, respectively, and accumulated amortization was \$7,726 and \$8,072 at December 31, 2005 and 2006, respectively. Equipment acquired under a capital lease is amortized and included in depreciation over the useful life of the leased equipment or the life of the lease, whichever is shorter.

GOODWILL AND OTHER INTANGIBLES

Goodwill, process technology, customer list and a covenant-not-to-compete were recorded as part of the Company's acquisitions. Goodwill is not subject to amortization but is reviewed for potential impairment annually or upon the occurrence of an impairment indicator using a two-phase process. The first phase screens for impairment; while the second phase measures the impairment. Process technology, the customer list and the covenant continued to be amortized using the straight-line method over three to four year lives. The carrying amount of the Company's intangibles are reviewed on a regular basis for any signs of an impairment. The Company determines if the carrying amount is impaired based on anticipated cash flows. In the event of impairment, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the asset. For each of the reporting units, fair value is determined primarily using the anticipated cash flows, discounted at a rate commensurate with the associated risk.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets used in operations are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. For long-lived assets to be held and used, the Company recognizes an impairment loss only if its carrying amount is not recoverable through its undiscounted cash

flows and measures the impairment loss based on the difference between the carrying amount and fair value. Long-lived assets held for sale are reported at the lower of cost or fair value less costs to sell.

INCOME TAXES

Deferred income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the income tax basis of such assets and liabilities. The Company maintains a full valuation allowance on its deferred tax assets.

RESEARCH AND DEVELOPMENT COSTS

The Company charges all research and development costs associated with the development of new products to expense when incurred.

CASH EQUIVALENTS

The Company considers all highly liquid marketable securities with a maturity of three months or less when purchased as cash equivalents.

MARKETABLE SECURITIES

Available-for-sale securities are stated at fair value, as determined by quoted market prices, with unrealized gains and losses reported in other accumulated comprehensive income or loss. The cost of securities sold is based upon the specific identification method. The amortized cost of debt securities is adjusted for amortization of premium and accretion of discounts to maturity. Such amortization, realized gains and losses, interest and dividends are included in interest income. See Note 7 for a summary of available-for-sale securities.

INVENTORY

Inventories are valued at the lower of cost or market ("LCM"), using the first-in, first-out method. In addition to LCM limitations, the Company reserves against inventory items for estimated obsolescence or unmarketable inventory. The reserve for excess and obsolete inventory is primarily based upon forecasted short-term demand for the product and any change to the reserve arising from forecast revisions is reflected in cost of sales in the period the revision is made.

DEFERRED RENT

Aggregate rental expense is recognized on a straight-line basis over the lease terms of operating leases that contain predetermined increases in rentals payable during the lease term.

FOREIGN CURRENCY TRANSLATION

The financial statements of subsidiaries outside of the United States are measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. The resultant translation

adjustments are included in other accumulated comprehensive income or loss. Income and expense items are translated at the average monthly rates of exchange. Gains and losses from foreign currency transactions of these subsidiaries are included in the determination of net income or loss.

EARNINGS PER SHARE

Basic and diluted earnings per share are calculated in accordance with FASB Statement No. 128, Earnings Per Share. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised resulting in the issuance of common stock of the Company. Any dilution arising from the Company's outstanding stock options or shares potentially issuable upon conversion of the convertible notes are not included as their effect is anti-dilutive.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The fair value of each of the following instruments approximates their carrying value because of the short maturity of these instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. At December 31, 2005 and 2006, the fair value of the Company's outstanding convertible senior notes, estimated based upon dealer quotes, were approximately \$93,694 and \$71,516, respectively, compared to their carrying values of \$84,700 and \$38,000, respectively.

STOCK-BASED COMPENSATION

The Company has various stock-based compensation plans for employees and directors, which are described more fully in Note 12 "Employee Benefits Plans." Effective January 1, 2006, the Company accounts for these plans under Financial Accounting Standards Board ("FASB") Statement No. 123R Share-Based Payment ("FAS 123R").

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Effective January 1, 2006, the Company adopted FASB Statement No. 151 ("FAS 151"), Inventory Costs, an amendment of Accounting Research Bulletin No. 43 ("ARB No. 43"), Chapter 4. FAS 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and wasted materials should be recognized as current period charges.

In addition, FAS 151 requires that allocation of fixed production overhead to inventory be based on the normal capacity of the production facilities. The adoption of FAS 151 did not have a material impact on the condensed consolidated financial statements.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company adopted FIN 48 on January 1, 2007 and currently believes it will not have a material impact on its consolidated financial statements.

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" ("FAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company has not yet determined the impact FAS 157 may have on our results from operations or financial position.

In February 2007, the FASB issued FASB Statement No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"), which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. FAS 159 is effective for fiscal years beginning after November 15, 2007. The Company has not yet determined the impact FAS 159 may have on our results of operations or financial position.

2. Intangibles and Goodwill

As of December 31, 2005 and 2006, the Company's intangible assets consist of the following:

	Gross Carrying Amount December 31,		Accumulated Amortization December 31,	
	2005	2006	2005	2006
Goodwill	\$5,918	\$5,918	\$ —	\$ —
Process technology	210	210	147	199
Covenant not to compete	175	—	175	—
Customer list	240	240	177	240
	\$6,543	\$6,368	\$499	\$439

Annual amortization expense related to intangible assets is calculated over their estimated useful lives of three to four years and was \$194, \$240 and \$115 in the years ended December 31, 2004, 2005 and 2006, respectively. The \$11 unamortized balance at December 31, 2006 relating to process technology will be fully amortized in 2007.

3. Restructuring and Other Charges

The January 1, 2005 restructuring balance related to lease-related costs. Certain lease-related obligations were settled during 2005 and resulted in a savings to the Company of \$120.

Activity and liability balances related to the restructuring and other charges for the years ended December 31, 2004, 2005 and 2006 are as follows:

	Balance
January 1, 2004 restructuring balance	\$ 1,994
Deductions	(1,268)
December 31, 2004 restructuring balance	726
Deductions	(566)
Savings on settlement of obligation	(120)
December 31, 2005 restructuring balance	40
Deductions	(40)
December 31, 2006 restructuring balance	\$ —

4. Segments

The Company operates in one segment. Its integrated circuits are primarily manufactured using common manufacturing facilities located in the same domestic geographic area. All operating expenses and assets of the Company are combined and reviewed by the chief operating decision maker on an enterprise-wide basis, resulting in no additional discrete financial information or reportable segment information.

The Company classifies its revenues based upon the end application of the product in which its integrated circuits are used. Net sales by end application are regularly reviewed by the chief operating decision maker and are as follows:

	Year Ended December 31,		
	2004	2005	2006
Wireless	\$45,379	\$ 53,143	\$ 91,275
Broadband	45,971	55,138	78,610
Total	\$91,350	\$108,281	\$169,885

The Company primarily sells to three geographic regions: Asia, USA and Canada, and Other. The geographic region is determined based on shipping addresses, not on the locations of the ultimate users. Net sales to each of the three geographic regions are as follows:

	Year Ended December 31,		
	2004	2005	2006
Asia	\$48,939	\$ 57,188	\$ 92,462
USA and Canada	35,982	41,729	64,634
Other	6,429	9,364	12,789
Total	\$91,350	\$108,281	\$169,885

5. Long-Term Debt

On September 24, 2004, the Company issued \$38,000 aggregate principal amount of 5% Convertible Senior Notes ("2009 Notes") due October 15, 2009. The 2009 Notes are convertible into shares of the Company's common stock at any time prior to their maturity, at an initial conversion rate, subject to adjustment, of 200 shares for each \$1,000 principal amount, which is equivalent to a conversion price of \$5.00 per share (7,600 shares contingently issuable). Pursuant to the indenture, dated as of September 24, 2004, between the Company and U.S. Bank Trust Association, as trustee, in the event of a "fundamental change" on or prior to July 15, 2009, the Company will pay a make whole premium upon the repurchase or conversion of the 2009 Notes. Subject to certain exceptions, the make whole premium will be 1% of the principal amount of the 2009 Notes, plus an additional premium based on the date such "fundamental change" becomes effective and the price paid per share of the Company's common stock in the transaction constituting the "fundamental change." Interest on the 2009 Notes is payable semi-annually in arrears on April 15 and October 15 of each year.

On November 27, 2001, the Company issued \$100,000 aggregate principal amount of 5% Convertible Senior Notes ("2006 Notes") due November 15, 2006. The 2006 Notes were convertible into shares of common stock at a rate of 47.619 shares for each \$1,000 principal amount (convertible at a price of \$21.00 per share), subject to adjustment. During 2002, the Company repurchased and retired \$33,300 aggregate principal amount of the 2006 Notes. In addition, in the third quarter of 2004 and concurrent with the issuance of the 2009 Notes, the Company repurchased and retired \$20,000 aggregate principal amount of the 2006 Notes for \$19,758 in cash, inclusive of accrued interest of \$358. The Company recognized a gain of \$327 on the repurchase, after adjusting for the write-off of a proportionate share of unamortized offering costs. On November 15, 2006, the Company repaid the remaining \$46,700 balance of the 2006 Notes obligation.

Unamortized debt issuance costs of \$1,999 and \$1,273 at December 31, 2005 and 2006, respectively, consisting principally of underwriters' fees, were included in other assets and are being amortized over the life of the notes.

6. Commitments and Contingencies

The Company leases manufacturing, warehousing and office space and manufacturing equipment under noncancelable operating leases that expire through 2016. The Company also leases certain equipment under capital lease that expires in 2011. Rent expense, net of sublease income was \$3,063, \$2,447 and \$2,101 in 2004, 2005 and 2006, respectively. Sublease income was \$780, \$270 and \$24 in 2004, 2005 and 2006, respectively. The future minimum lease payments under the noncancelable operating leases and the present value of the minimum capital lease payments are as follows:

Year	Capital Leases	Operating Leases
2007	\$ 427	\$ 2,243
2008	427	1,961
2009	427	1,892
2010	427	1,859
2011	425	1,858
Thereafter	—	10,398
Total minimum lease payments	2,133	20,211
Less: amount representing interest	(369)	—
	\$1,764	\$20,211

In addition to the above, at December 31, 2006, the Company had unconditional purchase obligations of approximately \$10,495.

7. Marketable Securities

The following is a summary of available-for-sale securities:

	Available-for-Sale Securities		
	Cost	Gross Unrealized Gains (Losses)	Estimated Fair Value
Government-Sponsored Enterprises	\$ 8,500	\$ (53)	\$ 8,447
State & Municipal Debt Securities	10,725	—	10,725
Corporate Debt Securities	55,510	(216)	55,294
Total at December 31, 2005	\$ 74,735	\$(269)	\$74,466
Government-Sponsored Enterprises	\$ 6,395	\$ (12)	\$ 6,383
State & Municipal Debt Securities	10,045	—	10,045
Corporate Debt Securities	53,398	(50)	53,348
Total at December 31, 2006	\$69,838	\$ (62)	\$69,776

Management has the ability and intent, if necessary, to liquidate any of its marketable securities in order to meet the Company's liquidity needs in the next 12 months. Accordingly, certain securities with contractual maturities greater than one year from year-end have been classified as short-term on the accompanying consolidated balance sheet. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations. The amortized cost and estimated fair value of marketable securities at December 31, 2006, are shown below:

	Available-for-Sale Securities	
	Cost	Estimated Fair Value
Due in one year or less	\$60,925	\$60,892
Due after one year through two years	8,913	8,884
Total	\$69,838	\$69,776

8. Inventories

Inventories consist of the following:

	December 31,	
	2005	2006
Raw materials	\$ 2,870	\$ 5,700
Work in progress	10,973	12,097
Finished goods	5,068	6,341
	18,911	24,138
Reserves	(2,902)	(3,783)
Total	\$16,009	\$20,355

9. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31,	
	2005	2006
Accrued compensation	\$ 2,123	\$ 2,421
Warranty reserve	396	347
Other	2,153	2,920
Total	\$ 4,672	\$ 5,688

Warranty reserve movements in the years ended December 31, 2005 and 2006 for returns were \$397 and \$726, respectively. The periodic charges for estimated warranty costs were \$634 and \$677 in the years ended December 31, 2005 and 2006.

10. Income Taxes

The current and deferred components of income taxes for each of the years ended December 31, 2004, 2005 and 2006 were zero.

Deferred tax assets require a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets may not be realized. Whereas realization of the deferred tax assets is dependent upon the timing and magnitude of future taxable income prior to the expiration of the deferred tax attributes, management began recording a full valuation allowance in 2001. The amount of the deferred tax assets considered realizable, however, could change if estimates of future taxable income during the carryforward period are changed.

Significant components of the Company's net deferred taxes as of December 31, 2005 and 2006 are as follows:

	December 31,	
	2005	2006
Deferred tax balances		
Accruals/reserves	\$ 3,148	\$ 6,045
Net operating loss carryforwards	105,819	108,327
Research and experimentation credits	5,870	10,686
Deferred rent expense	1,215	1,336
Difference in basis of plant and equipment	3,560	4,136
Other	—	—
Valuation allowance	(119,612)	(130,530)
Net deferred tax assets	—	—

As of December 31, 2006, the Company had net operating loss carryforwards of approximately \$298,000 for both federal and state tax reporting purposes. The federal carryforward will begin to expire in 2019, and the state carryforwards have begun to expire. At December 31, 2006, \$27,403 of the deferred tax asset related to net operating loss carryforwards and an equivalent amount of deferred tax asset valuation allowance represented tax benefits associated with the exercise of non-qualified stock options and restricted stock deduction over book. Such benefit, when realized, will be credited to additional paid-in capital.

The earnings associated with the Company's investment in its foreign subsidiaries is considered to be permanently invested and no provision for U.S. federal and state income taxes on those earnings or translation adjustments have been provided.

The reconciliation of income tax expense computed at the U.S. federal statutory rate to the benefit from income taxes is as follows:

	Year Ended December 31,					
	2004		2005		2006	
Tax at US statutory rate	\$ (15,079)	(35.0)%	\$ (10,932)	(35.0)%	\$ (3,097)	(35.0)%
Effect of permanent items	(750)	(1.7)	(88)	(0.3)	(2,086)	(23.6)
State and foreign tax (benefit), net of federal tax effect	(1,470)	(3.4)	(1,023)	(3.3)	(481)	(5.4)
Research and experimentation tax credits, net	(516)	(1.2)	(797)	(2.6)	(4,816)	(54.4)
Valuation allowance	17,850	41.4	12,763	40.9	10,918	123.3
Other	(35)	(0.1)	77	0.3	(438)	(4.9)
Benefit from income taxes	\$ —	0.0%	\$ —	0.0%	\$ —	0.0%

11. Stockholders' Equity

In March 2006, the Company completed an underwritten public offering of 10,446 shares of common stock at a price of \$5.50 which generated net proceeds to the Company of \$53,110.

On December 17, 1998, the Company adopted a Shareholders' Rights Agreement (the "Agreement"). Pursuant to the Agreement, as amended on November 30, 2000, rights were distributed as a dividend at the rate of one right for each share of ANADIGICS, Inc. common stock, par value \$0.01 per share, held by stockholders of record as of the close of business on December 31, 1998. The rights will expire on December 17, 2008, unless earlier redeemed or exchanged. Under the Agreement, each right will entitle the registered holder to buy one one-thousandth of a share of Series A Junior Participating Preferred Stock at a price of \$75.00 per one one-thousandth of a share, subject to adjustment in accordance with the Agreement. The rights will become exercisable only if a person or group of affiliated or associated persons acquires, or obtains the right to acquire, beneficial ownership of ANADIGICS, Inc. common stock or other voting securities that have 18% or more of the voting power of the outstanding shares of voting stock, or upon the commencement or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in such person or group acquiring, or obtaining the right to acquire, beneficial ownership of 18% or more of the voting power of ANADIGICS, Inc. common stock or other voting securities.

12. Employee Benefit Plans

Effective January 1, 2006, the Company adopted the provisions of FAS 123R in accounting for share-based payments to employees, having previously followed the provisions of Accounting Principles Board Opinion Number 25, "Accounting for Stock Issued to Employees," as permitted by FAS 123. The Company has adopted FAS 123R using the modified-prospective transition method, which requires the recognition of compensation expense over the remaining vesting period for all awards that remain unvested as of January 1, 2006. The Company adopted the alternative transition method provided in FASB Staff Position No. FAS 123R-3 "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards" for calculating the tax effects of stock-based compensation. The alternative transition method includes simplified methods to establish the beginning balance of the additional paid-in-capital pool ("APIC pool") related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC pool and consolidated statements of cash flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of FAS 123R.

EQUITY COMPENSATION PLANS

The Company had 4 equity compensation plans under which equity securities are authorized for issuance to employees and/or directors:

- The 1995 Long-Term Incentive and Share Award Plan for Officers and Directors (terminated February 28, 2005) ("1995 Plan");
- The 1997 Long-Term Incentive and Share Award Plan ("1997 Plan");
- The 2005 Long-Term Incentive and Share Award Plan ("2005 Plan," collectively with the 1995 Plan and the 1997 Plan, "the Plans"); and
- The ESP Plan.

Employees and outside directors have been granted restricted stock and options to purchase shares of common stock under stock option plans adopted in 1995, 1997 and 2005. An aggregate of 4,913, 5,100 and 5,450 shares of common stock were reserved for issuance under the 1995 Plan, the 1997 Plan and the 2005 Plan, respectively. The Plans provide for the granting of stock options, stock appreciation rights, restricted shares and other share-based awards to eligible employees and directors, as defined in the Plans. Option grants have terms of ten years and become exercisable in varying amounts over periods of up to three years. To date, no stock appreciation rights have been granted under the Plans.

In 1995, the Company adopted the ESP Plan under Section 423 of the Internal Revenue Code. All full-time employees of ANADIGICS, Inc. and part-time employees, as defined in the ESP Plan, are eligible to participate in the ESP Plan. An aggregate of 2,694 shares of common stock were reserved for offering under the ESP Plan. Offerings are made at the commencement of each calendar year and must be purchased by the end of that calendar year. Pursuant to the terms of the ESP Plan, shares purchased and the applicable per share price were 182 (\$3.11), 328 (\$3.13) and 187 (\$5.36), respectively, for the years ended December 31, 2004, 2005 and 2006, respectively.

Under FAS 123R, stock-based compensation expense arises from the amortization of restricted stock grants, unamortized stock option grants and from the ESP Plan whereas in 2004 and 2005, only amortization of restricted stock grants was required. The Company is using the straight-line basis in calculating stock-based compensation expense.

The following table illustrates the effect on net loss and loss per common share as if the Company had applied the fair value method to measure stock-based compensation, required under the disclosure provisions of FAS 123R⁽¹⁾:

	For Years Ended December 31,				
	US GAAP (as reported)			Pro Forma (comparison only)	
	2006	2005	2004	2005	2004
Amortization of restricted stock awards	\$ (7,754)	\$ (2,649)	\$ (669)	\$ (2,649)	\$ (669)
Amortization of ESP Plan	(400)	—	—	(567)	(483)
Amortization of stock option awards	(200)	—	(35)	(542)	(8,826)
Total stock-based compensation	\$ (8,354)	\$ (2,649)	\$ (704)	\$ (3,758)	\$ (9,978)
Net loss	\$ (8,850)	\$ (31,233)	\$ (43,082)	\$ (32,342)	\$ (52,356)
Basic and diluted loss per share	\$ (0.20)	\$ (0.92)	\$ (1.33)	\$ (0.95)	\$ (1.62)
By Financial Statement line item					
Cost of sales	\$ 1,829	\$ 596	\$ 115	\$ 798	\$ 1,118
Research and development expenses	3,287	1,185	316	1,561	1,901
Selling and administrative expenses	3,238	868	273	1,399	6,959

(1) Pro forma disclosure for 2004 and 2005 presents the full effect of share-based compensation expense as required under FAS 123R, which was adopted effective January 1, 2006 using the modified-prospective method. As reported historical GAAP results for periods prior to January 1, 2006 reflect only that portion of share-based compensation expense required by GAAP prior to the adoption of FAS 123R.

RESTRICTED STOCK AWARDS

Commencing in August 2004, the Company began granting restricted shares under the Plans. The value of the restricted stock awards are fixed upon the date of grant and amortized over the related vesting period of one to three years. Restricted stock awards are subject to forfeiture if employment terminates prior to vesting. The restricted stock awards carry voting and dividend rights commencing upon grant but may not be traded or transferred prior to vesting. Grant, vest and forfeit activity and related weighted average (WA) price per share for restricted stock and for stock options during the period from January 1, 2004 to December 31, 2006 is presented in tabular form below:

	Restricted Shares		Stock Options	
	Shares	WA Price per Share	Issuable Upon Exercise	WA Exercise Price
Grants outstanding at January 1, 2004	—	\$ —	5,905	\$ 7.30
Granted	403	4.01	1,944	7.16
Shares vested/options exercised	—	—	(537)	2.53
Forfeited/expired	(22)	4.01	(520)	9.31
Balance at December 31, 2004	381	4.01	6,792	7.47
Granted	1,303	2.71	159	3.12
Shares vested/options exercised	(357)*	4.01	(416)	2.80
Forfeited/expired	(113)	2.95	(591)	7.57
Balance at December 31, 2005	1,214	2.72	5,944	7.67
Granted	2,685	6.90	994	8.80
Shares vested/options exercised	(675)	2.68	(983)	3.85
Forfeited/expired	(86)	5.46	(286)	11.16
Balance at December 31, 2006	3,138	\$6.23	5,669	\$ 8.36

*114 shares were repurchased by the Company to fund withholding tax obligations.

Exercisable options and their related average exercise prices were 6,172 (\$7.94), 5,759 (\$7.83) and 4,644 (\$8.30) as of December 31, 2004, 2005 and 2006, respectively. The total fair value of restricted shares vested during the years ended December 31, 2005 and 2006 were \$808 and \$4,003, respectively. The intrinsic value of exercised options during the years ended December 31, 2004, 2005 and 2006 were \$2,098, \$932 and \$3,801, respectively.

In January 2007, the Company granted an additional 608 restricted shares under the 2005 Plan at a market price equal to \$9.53, which represented the fair market value at the date of grants.

	Weighted Average Information as of December 31, 2006
Options currently exercisable	
Shares issuable upon exercise	4,644
Weighted average exercise price	\$ 8.30
Weighted average remaining contractual term	4.8 years
Weighted average remaining contractual term for outstanding options	5.7 years
Intrinsic value of exercisable options	\$12,490
Intrinsic value of outstanding options	\$12,885
Unrecognized stock-based compensation cost	
Option plans	\$ 5,171
Restricted stock	\$11,443
Weighted average remaining vest period for option plans	2.0 years
Weighted average remaining vest period for restricted stock	0.9 years

Stock options outstanding at December 31, 2006 are summarized as follows:

Range of Exercise Prices	Outstanding Options at December 31, 2006	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable at December 31, 2006	Weighted Average Exercise Price
\$ 1.39-\$ 4.17	1,548	4.52	\$ 3.30	1,522	\$ 3.32
\$ 4.33-\$ 8.17	1,842	6.22	\$ 6.88	1,820	\$ 6.89
\$ 8.67-\$13.59	1,626	7.30	\$10.22	650	\$12.28
\$13.94-\$53.48	653	3.06	\$19.87	652	\$19.87

On July 3, 2003, the Company announced a voluntary stock option exchange program for employees and officers. Directors of the Company were not eligible for the exchange program. Pursuant to the terms and conditions of the offer, which expired on August 4, 2003, the Company accepted for cancellation options to purchase 1,674 shares of common stock having a weighted average exercise price of

\$19.49. On February 6, 2004, participating employees were issued 552 stock options, under this one for three exchange program, for the cancelled options. The new options have an exercise price equal to \$7.27, which represented the fair market value at the date of grant and are now fully vested.

On December 22, 2004, the Company authorized the immediate vesting of eligible employees' unvested share options with an exercise price greater than \$5.00 per share. Directors were not eligible. In total, 1,772 options with an average exercise price of \$7.26 immediately vested and had an average remaining contractual life of 9.1 years. The unamortized fair value associated with these accelerated-vest shares in the amount of \$2,654 amortized immediately. Had the accelerated-vest program not occurred, the related cost in the years ended December 31, 2006 and 2007 would have included \$751 and \$57, respectively. In addition to its employee-retention value, the Company's decision to accelerate the vesting of these "out-of-the-money" options was based upon the accounting of such costs moving from disclosure-only in 2004 to being included in the Company's consolidated statements of operations in 2005 based upon the Company's expected adoption of FAS 123R prior to its required adoption date being deferred. For the year ended December 31, 2005, \$1,846 would have been included in the pro forma disclosure.

VALUATION FOR ESP PLAN AND STOCK OPTION AWARDS

The fair value of these equity awards was estimated at the date of grant using a Black-Scholes option pricing model. The weighted average assumptions and fair values for stock-based compensation grants used for the years ended December 31, 2004, 2005 and 2006 are summarized below:

	Year Ended December 31,		
	2004	2005	2006
Stock option awards			
Risk-free interest rate	2.2%	3.4%	4.6%
Expected volatility	101%	95%	76%
Average expected term (in years)	2.75	2.75	4.72
Expected dividend yield	0.0%	0.0%	0.0%
Weighted average fair value of options granted	\$4.17	\$1.70	\$5.54
ESP Plan			
Risk-free interest rate	2.8%	4.4%	5.0%
Expected volatility	70%	80%	62%
Average expected term	1	1	1
Expected dividend yield	0%	0%	0%
Weighted average fair value of purchase option	\$2.66	\$1.72	\$2.13

In adopting FAS 123R on January 1, 2006, the Company evaluated the assumptions used in the Black-Scholes model and modified its methodology for computing the expected volatility and expected term. Expected volatility was modified from being based solely on Company historical volatility to a combination of both Company and peer company historical volatility. The expected term of the stock options was modified from being based solely on historical observations of employee exercise patterns to being also combined with expectations of employee exercise behavior in the future giving consideration to the contractual terms of the stock-based awards. The risk-free interest rate assumption has consistently been based on the yield at the time of grant of a U.S. Treasury security with an equivalent remaining term. The Company has never paid cash dividends and does not currently intend to pay cash dividends and has consistently assumed a 0% dividend yield.

ANADIGICS, Inc. also sponsors an Employee Savings and Protection Plan under Section 401(k) of the Internal Revenue Code which is available to all full-time employees. Employees can make voluntary contributions up to limitations prescribed by the Internal Revenue Code. This plan was amended in 2001 and the Company now matches 50% of employee contributions up to 6% of their gross pay. The Company recorded expense of \$730, \$675 and \$746 for the years ended December 31, 2004, 2005 and 2006, respectively, relating to plan contributions.

13. Earnings Per Share

The reconciliation of shares used to calculate basic and diluted earnings per share consists of the following:

	Year Ended December 31,		
	2004	2005	2006
Weighted average common shares outstanding used to calculate basic earnings per share	32,413	34,012	43,814
Net effect of dilutive securities—based on treasury stock method using average market price	—*	—*	—*
Weighted average common shares outstanding used to calculate diluted earnings per share	32,413	34,012	43,814

*Any dilution arising from the Company's outstanding stock options or shares potentially issuable upon conversion of the convertible notes are not included as their effect is anti-dilutive.

14. Other Accumulated Comprehensive Income (Loss)

The components of other accumulated comprehensive income (loss) are as follows:

	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Available-for-Sale Securities	Total
Balance at December 31, 2004	\$ 25	\$(511)	\$(486)
Unrealized gain on available-for-sale securities	—	242	242
Foreign currency translation adjustment	(72)	—	(72)
Balance at December 31, 2005	(47)	(269)	(316)
Unrealized gain on available-for-sale securities	—	207	207
Foreign currency translation adjustment	9	—	9
Balance at December 31, 2006	\$(38)	\$ (62)	\$(100)

15. Legal Proceedings

ANADIGICS is a party to litigation arising out of the operation of our business. We believe that the ultimate resolution of such litigation should not have a material adverse effect on our consolidated financial condition or results of operation.

16. Quarterly Financial Data (Unaudited)

2005 AND 2006 QUARTERLY FINANCIAL DATA

The following table sets forth certain unaudited results of operations for each quarter during 2005 and 2006. The unaudited information has been prepared on the same basis as the audited consolidated financial statements and includes all adjustments which management considers necessary for a fair presentation of the financial data shown. The operating results for any quarter are not necessarily indicative of the results to be attained for any future period. Basic and diluted loss per share are computed independently for each of the periods presented. Accordingly, the sum of the quarterly loss per share may not agree to the total for the year (in thousands, except for per share data).

	Quarter Ended							
	2005				2006			
	April 2	July 2	Oct. 1	Dec. 31	April 1	July 1	Sept. 30	Dec. 31
Net sales	\$ 21,773	\$23,943	\$29,264	\$33,301	\$35,721	\$40,215	\$44,825	\$49,124
Cost of sales	19,252	19,511	22,691	24,475	26,284	28,940	31,035	32,916
Gross profit	2,521	4,432	6,573	8,826	9,437	11,275	13,790	16,208
Research and development expenses	7,862	7,374	7,491	7,179	8,159	8,498	9,137	9,834
Selling and administrative expense	5,552	5,506	5,234	5,001	5,493	5,869	6,328	6,872
Restructuring and other charges	(120)	—	—	—	—	—	—	—
Operating loss	(10,773)	(8,448)	(6,152)	(3,354)	(4,215)	(3,092)	(1,675)	(498)
Interest income	577	599	607	690	866	1,571	1,648	1,365
Interest expense	(1,249)	(1,249)	(1,250)	(1,249)	(1,288)	(1,287)	(1,285)	(956)
Other (expense) income	(6)	9	15	—	—	21	—	(25)
Net loss	\$(11,451)	\$(9,089)	\$(6,780)	\$(3,913)	\$(4,637)	\$(2,787)	\$(1,312)	\$(114)
Basic and diluted loss per share	\$ (0.34)	\$ (0.27)	\$ (0.20)	\$ (0.11)	\$ (0.12)	\$ (0.06)	\$ (0.03)	\$ 0.00

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM—2006

To the Board of Directors and Stockholders
ANADIGICS, Inc.

We have audited the accompanying consolidated balance sheets of ANADIGICS, Inc. as of December 31, 2006 and 2005, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the years then ended. Our audits also included the consolidated financial statement schedule for the year ended December 31, 2006 and 2005. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ANADIGICS, Inc. as of December 31, 2006 and 2005, and their

consolidated results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related consolidated financial statement schedule for the years ended December 31, 2006 and 2005, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in note 12 to the consolidated financial statements, ANADIGICS, Inc. adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" effective January 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of ANADIGICS, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2007 expressed an unqualified opinion thereon.

/s/ J.H. Cohn LLP

Roseland, New Jersey
February 27, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM—2005

The Board of Directors and Stockholders
ANADIGICS, Inc.

We have audited the accompanying consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows of ANADIGICS, Inc. for the year ended December 31, 2004. Our audit also included the information for the year ended December 31, 2004 included in the financial statement schedule. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles

used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of ANADIGICS, Inc.'s operations and cash flows for the year ended December 31, 2004 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the information for the year ended December 31, 2004 in the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

MetroPark, New Jersey
March 2, 2005

CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer, or CEO and Chief Financial Officer, or CFO, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2006. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported as specified within the SEC's rules and forms.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework of Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2006.

Our management's evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by J.H. Cohn LLP, an independent registered public accounting firm, as stated in their report which is included below.

There was no change in the Company's internal control over financial reporting during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations of Controls

Because of their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Bami Bastani

Bami Bastani
President and Chief Executive Officer

/s/ Thomas C. Shields

Thomas C. Shields
Executive Vice President and
Chief Financial Officer

February 27, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
ANADIGICS, Inc.

We have audited management's assessment, Management's Report on Internal Control over Financial Reporting, that ANADIGICS, Inc. maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. ANADIGICS, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that ANADIGICS, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of the Sponsoring Organizations of the Treadway Commission. Also, in our opinion, ANADIGICS, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on such criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of ANADIGICS, Inc. as of December 31, 2006, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the year then ended, and our report dated February 27, 2007 expressed an unqualified opinion thereon.

/s/ J.H. Cohn LLP

Roseland, New Jersey
February 27, 2007

**MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS
AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our \$0.01 par value Common Stock, ("Common Stock") has been quoted on the NASDAQ Global Market under the symbol "ANAD" since the commencement of trading on April 21, 1995 following our initial public offering of our Common Stock. The following table sets forth for the periods indicated the high and low sale prices for our Common Stock.

	High	Low
Calendar 2006		
Fourth Quarter	\$10.38	\$6.80
Third Quarter	8.60	5.03
Second Quarter	9.26	6.08
First Quarter	8.24	5.35
 Calendar 2005		
Fourth Quarter	\$ 6.30	\$3.05
Third Quarter	3.55	1.70
Second Quarter	1.95	1.26
First Quarter	3.80	1.43

As of December 31, 2006, there were 49,108,435 shares of Common Stock outstanding (excluding Treasury) and 727 holders of record of the Common Stock.

We have never paid cash dividends on our capital stock. We currently anticipate that we will retain available funds for use in the operation and expansion of our business, and do not anticipate paying any cash dividends in the foreseeable future.



ANADIGICS 2006 Annual Report

Company Information

Executive Officers

Dr. Bami Bastani
President, Chief Executive Officer and Director

Ronald Rosenzweig
Chairman of the Board and Director

Dr. Charles Huang
Executive Vice President and Chief Technical Officer

Thomas Shields
Executive Vice President and Chief Financial Officer

Dr. Ali Khatibzadeh
*Sr. Vice President & General Manager
Wireless Business Segment*

Ronald Michels
*Sr. Vice President & General Manager
Broadband Business Segment*

Directors

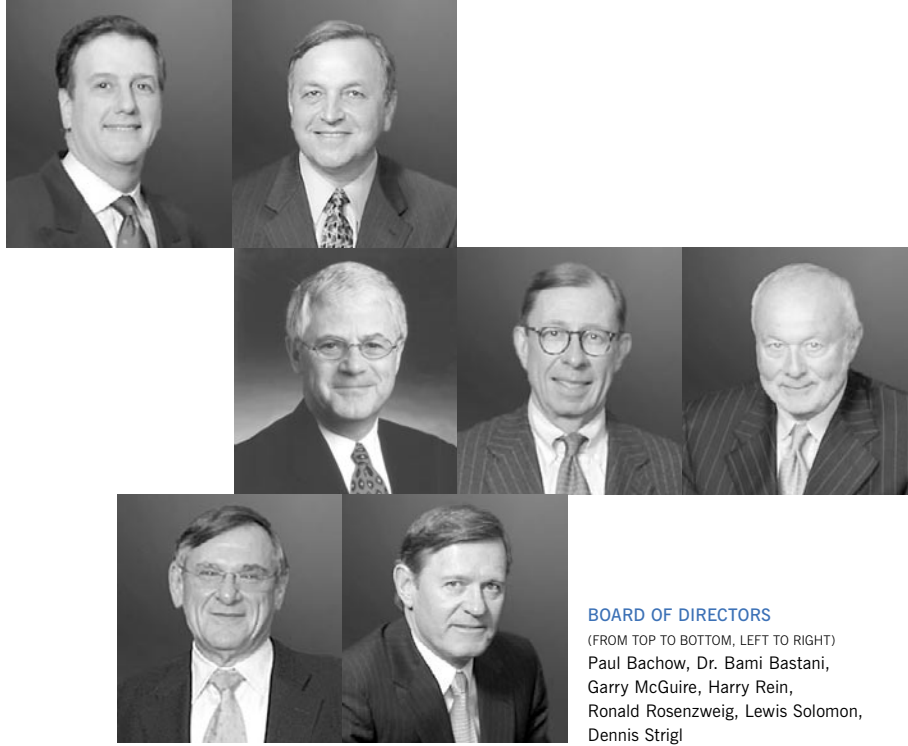
Paul Bachow
President of Bachow & Associates, Inc.

Garry McGuire
Ex-CFO of AVAYA

Harry Rein
*General Partner
Foundation Medical Partners*

Lewis Solomon
Chairman of G & L Investments

Dennis Strigl
President and Chief Operating Officer of Verizon



BOARD OF DIRECTORS

(FROM TOP TO BOTTOM, LEFT TO RIGHT)
Paul Bachow, Dr. Bami Bastani,
Garry McGuire, Harry Rein,
Ronald Rosenzweig, Lewis Solomon,
Dennis Strigl

Corporate Information

Stock Listing: Nasdaq National Market®
Symbol: ANAD

Corporate Office

ANADIGICS, Inc.
Attn: Investor Relations
141 Mt. Bethel Road
Warren, NJ 07059
908-668-5000
908-668-5068 (fax)

Web Address

www.anadigics.com

Transfer Agent and Registrar

Mellon Investors Services
P.O. Box 3315
South Hackensack, NJ 07606
1-800-851-9677
<http://www.mellon-investors.com>

Auditors

J.H. Cohn LLP
4 Becker Farm Road
Roseland, NJ 07068

Annual Meeting

ANADIGICS Annual Meeting will be held on May 17, 2007 at 10:00 a.m. at the Somerset Hills Hotel, 200 Liberty Corner Road, Warren, NJ 07059.



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