

AVIAT NETWORKS, INC. (FORMERLY HARRIS STRATEX NETWORKS, INC.)

Quarter and Two Quarters Ended January 1, 2010 Summaries

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURE

To supplement our consolidated financial statements presented in accordance with accounting principles generally accepted in the United States (GAAP), we provide additional measures of revenue, cost of product sales and services, gross margin, research and development expenses, selling and administrative expenses, operating income (loss), income (loss) before income taxes, income taxes, net income (loss), and net income (loss) per basic and diluted share adjusted to exclude certain costs, charges, expenses and losses, including such amounts related to our merger with Stratex Networks. Aviat Networks, Inc. (“we” or “our”) believes that these non-GAAP financial measures, when considered together with the GAAP financial measures provide information that is useful to investors in understanding period-over-period operating results separate and apart from items that may, or could, have a disproportionate positive or negative impact on results in any particular period. We also believe these non-GAAP measures enhance the ability of investors to analyze trends in our business and to understand our performance. In addition, we may utilize non-GAAP financial measures as a guide in our forecasting, budgeting and long-term planning process and to measure operating performance for some management compensation purposes. Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP. A reconciliation of these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP follows.

Table 1

AVIAT NETWORKS, INC. (FORMERLY HARRIS STRATEX NETWORKS, INC.)

Fiscal Year 2010 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended								
	January 1, 2010				January 2, 2009				
	As Reported	Non-GAAP Adjustments	Non-GAAP	% of Sales	As Reported	Non-GAAP Adjustments	Non-GAAP	% of Sales	
(In millions, except per share amounts)									
Revenue from product sales and services	\$ 122.6	\$ —	\$ 122.6		\$ 190.9	\$ —	\$ 190.9		
Cost of product sales and services (A)	(78.2)	0.1	(78.1)		(138.0)	0.3	(137.7)		
Amortization of purchased technology (B)	(2.1)	2.1	—		(1.8)	1.8	—		
Gross margin	42.3	2.2	44.5	36.3%	51.1	2.1	53.2	27.9%	
Research and development expenses (C)	(10.1)	0.2	(9.9)	8.1%	(9.5)	0.1	(9.4)	4.9%	
Selling and administrative expenses (D)	(35.4)	1.9	(33.5)	27.3%	(32.9)	0.6	(32.3)	16.9%	
Amortization of intangible assets (E)	(1.5)	1.5	—		(1.4)	1.4	—		
Goodwill impairment charges (F)	—	—	—		(279.0)	279.0	—		
Trade name impairment charges (F)	—	—	—		(22.0)	22.0	—		
Restructuring charges (G)	(1.5)	1.5	—		(1.1)	1.1	—		
Operating (loss) income	(6.2)	7.3	1.1	0.9%	(294.8)	306.3	11.5	6.0%	
Interest income	0.1	—	0.1		0.3	—	0.3		
Interest expense	(0.4)	—	(0.4)		(0.7)	—	(0.7)		
(Loss) income before income taxes	(6.5)	7.3	0.8	<i>Tax rate</i>	(295.2)	306.3	11.1	<i>Tax rate</i>	
Income tax (expense) benefit (H)	(1.4)	1.4	—	0%	(23.5)	20.8	(2.7)	24%	
Net (loss) income	<u>\$ (7.9)</u>	<u>\$ 8.7</u>	<u>\$ 0.8</u>		<u>\$ (318.7)</u>	<u>\$ 327.1</u>	<u>\$ 8.4</u>		
Net (loss) income per common share:									
Basic and diluted	<u>\$ (0.13)</u>		<u>\$ 0.01</u>		<u>\$ (5.43)</u>		<u>\$ 0.14</u>		
Basic and diluted weighted average shares outstanding	59.3		59.3		58.7		58.7		

Notes to Table 1:

Note A – Cost of sales and services – Includes adjustment to cost of product sales and services for the second quarter of fiscal 2010 to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets (\$0.1 million).

For the second quarter of fiscal 2009, includes adjustment to cost of product sales and services to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets (\$0.2 million) and adjustment to remove non-cash share-based compensation expense (\$0.1 million).

Note B – Amortization of purchased technology - Adjustment for the second quarter of fiscal 2010 and 2009 to remove amortization of purchased intangibles.

Note C – Research and development expenses - Adjustment for the second quarter of fiscal 2010 to remove non-cash share-based compensation expense of \$0.2 million.

For the second quarter of fiscal 2009, adjustment is to remove non-cash share-based compensation expense of \$0.1 million.

Note D – Selling and administrative expenses – Includes adjustment for the second quarter of fiscal 2010 to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets (\$0.1 million), to remove non-cash share-based compensation expense (\$0.3 million). Also includes adjustments to remove expenses related to rebranding in connection with the change in Company name required by the license agreement termination notice from Harris Corporation (\$0.5 million) and expenses related to implementing new internal information systems required to provide services currently being phased out under the Transitional Services Agreement with Harris (\$1.0 million).

For the second quarter of fiscal 2009, includes adjustment to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets (\$0.4 million) and non-cash share-based compensation expense (\$0.2 million).

Note E – Amortization of intangible assets - Adjustment for the second quarter of fiscal 2010 and 2009 to remove amortization of purchased intangibles.

Note F — Goodwill and Trade name impairment charges — Adjustment to remove charges for impairment incurred during the second quarter of fiscal 2009.

Note G – Restructuring charges - Adjustment to remove charges for restructuring incurred during the second quarter of fiscal 2010 and 2009.

Note H – Provision for income taxes - Adjustment to reflect a zero percent pro forma tax rate for the second quarter of fiscal 2010 and a pro forma 24 percent tax rate for the second quarter of fiscal 2009. We estimate zero tax expense for the second quarter of fiscal 2010 due to breakeven pre-tax pro forma income for the first two quarters of fiscal 2010 and zero pro forma tax expense recorded in the first quarter of fiscal 2010. The adjustment in the second quarter of fiscal 2009 primarily consisted of removing the effect of a \$20.8 million increase in the valuation allowance on certain deferred tax assets.

Table 2

AVIAT NETWORKS, INC. (FORMERLY HARRIS STRATEX NETWORKS, INC.)

Fiscal Year-to-Date 2010 Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Condensed Consolidated Statements of Operations
(Unaudited)

	Two Quarters Ended							
	January 1, 2010				January 2, 2009			
	As Reported	Non-GAAP Adjustments	Non-GAAP	% of Sales	As Reported	Non-GAAP Adjustments	Non-GAAP	% of Sales
(In millions, except per share amounts)								
Revenue from product sales and services	\$ 242.6	\$ —	\$ 242.6		\$ 386.7	\$ —	\$ 386.7	
Cost of product sales and services (A)	(158.4)	0.3	(158.1)		(272.9)	0.7	(272.2)	
Amortization of purchased technology (B)	(4.2)	4.2	—		(3.6)	3.6	—	
Gross margin	80.0	4.5	84.5	34.8%	110.2	4.3	114.5	29.6%
Research and development expenses (C)	(20.8)	0.3	(20.5)	8.5%	(19.7)	0.3	(19.4)	5.0%
Selling and administrative expenses (D)	(66.2)	3.0	(63.2)	26.1%	(69.4)	1.7	(67.7)	17.5%
Amortization of intangible assets (E)	(3.0)	3.0	—		(2.8)	2.8	—	
Goodwill impairment charges (F)	—	—	—		(279.0)	279.0	—	
Trade name impairment charges (F)	—	—	—		(22.0)	22.0	—	
Restructuring charges (G)	(2.6)	2.6	—		(4.4)	4.4	—	
Operating (loss) income	(12.6)	13.4	0.8	0.3%	(287.1)	314.5	27.4	7.1%
Interest income	0.1	—	0.1		0.7	—	0.7	
Interest expense	(0.9)	—	(0.9)		(1.4)	—	(1.4)	
(Loss) income before income Taxes	(13.4)	13.4	—	<i>Tax rate</i>	(287.8)	314.5	26.7	<i>Tax rate</i>
Income tax (expense) benefit (H)	(2.3)	2.3	—	16%	(24.4)	18.0	(6.4)	24%
Net (loss) income	<u>\$ (15.7)</u>	<u>\$ 15.7</u>	<u>\$ —</u>		<u>\$ (312.2)</u>	<u>\$ 332.5</u>	<u>\$ 20.3</u>	
Net (loss) income per common share:								
Basic and diluted	<u>\$ (0.27)</u>		<u>\$ —</u>		<u>\$ (5.33)</u>		<u>\$ 0.35</u>	
Basic and diluted weighted average shares outstanding	<u>59.1</u>		<u>59.1</u>		<u>58.6</u>		<u>58.6</u>	

Notes to Table 2:

Note A – Cost of sales and services – Includes adjustment to cost of product sales and services for the two quarters ended January 1, 2010 to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets (\$0.2 million) and adjustment to remove non-cash share-based compensation expense (\$0.1 million).

For the two quarters ended January 2, 2009, includes adjustment to cost of product sales and services to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets (\$0.4 million) and adjustment to remove non-cash share-based compensation expense (\$0.3 million).

Note B – Amortization of purchased technology - Adjustment for the two quarters ended January 1, 2010 and January 2, 2009 to remove amortization of purchased intangibles.

Note C – Research and development expenses - Adjustment for the two quarters ended January 1, 2010 to remove non-cash share-based compensation expense of \$0.3 million.

For the two quarters ended January 2, 2009, adjustment is to remove non-cash share-based compensation expense of \$0.3 million.

Note D – Selling and administrative expenses – Includes adjustment for the two quarters ended January 1, 2010 to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets (\$0.2 million), to remove non-cash share-based compensation expense (\$1.2 million). Also includes adjustments to remove expenses related to rebranding in connection with the change in Company name required by the license agreement termination notice from Harris Corporation (\$0.6 million) and expenses related to implementing new internal information systems required to provide services currently being phased out under the Transitional Services Agreement with Harris (\$1.0 million).

For the two quarters ended January 2, 2009, includes adjustment to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets (\$0.8 million) and non-cash share-based compensation expense (\$0.9 million).

Note E – Amortization of intangible assets - Adjustment for the two quarters ended January 1, 2010 and January 2, 2009 to remove amortization of purchased intangibles.

Note F — Goodwill and Trade name impairment charges — Adjustment to remove charges for impairment incurred during the two quarters ended January 2, 2009.

Note G – Restructuring charges - Adjustment to remove charges for restructuring incurred during the two quarters ended January 1, 2010 and January 2, 2009.

Note H – Provision for income taxes - Adjustment to reflect a 16 percent pro forma tax rate for the two quarters ended January 1, 2010 and a pro forma 24 percent tax rate for the two quarters ended January 2, 2009. The adjustment in the two quarters ended January 2, 2009 primarily consisted of removing the effect of a \$20.8 million increase in the valuation allowance on certain deferred tax assets.

Table 3

AVIAT NETWORKS, INC. (FORMERLY HARRIS STRATEX NETWORKS, INC.)

Fiscal Year 2010 Second Quarter Summary
SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA
(Unaudited)

	Quarter Ended					
	January 1, 2010			January 2, 2009		
	As Reported	Non-GAAP Adjustments	Non-GAAP	As Reported	Non-GAAP Adjustments	Non-GAAP
North America (1)	\$ 49.4	\$ —	\$ 49.4	\$ 66.6	\$ —	\$ 66.6
International (1):						
Africa	18.6	—	18.6	51.7	—	51.7
Europe, Middle East, and Russia	29.9	—	29.9	49.1	—	49.1
Latin America and AsiaPac	24.7	—	24.7	23.5	—	23.5
Total International	73.2	—	73.2	124.3	—	124.3
	<u>\$ 122.6</u>	<u>\$ —</u>	<u>\$ 122.6</u>	<u>\$ 190.9</u>	<u>\$ —</u>	<u>\$ 190.9</u>

- (1) We previously reported three operating segments in our public filings: North America Microwave, International Microwave and Network Operations. During the first quarter of fiscal 2010, we realigned the management structure of our Network Operations segment to geographically integrate with our North America Microwave and International Microwave segments to gain cost efficiencies. As a result, we eliminated the Network Operations segment as a separate reporting unit and consolidated this segment into our remaining two segments that are based on the geographical location where revenue is recognized. Additionally, we have dropped the word “Microwave” from the name of our North America and International segments. Segment information in the table above has been adjusted to reflect this change.

Table 4

AVIAT NETWORKS, INC. (FORMERLY HARRIS STRATEX NETWORKS, INC.)

Fiscal Year-to-Date 2010 Summary
SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA
(Unaudited)

	Two Quarters Ended					
	January 1, 2010			January 2, 2009		
	As Reported	Non-GAAP Adjustments	Non-GAAP	As Reported	Non-GAAP Adjustments	Non-GAAP
North America (1)	\$ 97.4	\$ —	\$ 97.4	\$ 129.6	\$ —	\$ 129.6
International (1):						
Africa	48.5	—	48.5	117.5	—	117.5
Europe, Middle East, and Russia	48.5	—	48.5	86.9	—	86.9
Latin America and AsiaPac	48.2	—	48.2	52.7	—	52.7
Total International	145.2	—	145.2	257.1	—	257.1
	<u>\$ 242.6</u>	<u>\$ —</u>	<u>\$ 242.6</u>	<u>\$ 386.7</u>	<u>\$ —</u>	<u>\$ 386.7</u>

- (1) We previously reported three operating segments in our public filings: North America Microwave, International Microwave and Network Operations. During the first quarter of fiscal 2010, we realigned the management structure of our Network Operations segment to geographically integrate with our North America Microwave and International Microwave segments to gain cost efficiencies. As a result, we eliminated the Network Operations segment as a separate reporting unit and consolidated this segment into our remaining two segments that are based on the geographical location where revenue is recognized. Additionally, we have dropped the word “Microwave” from the name of our North America and International segments. Segment information in the table above has been adjusted to reflect this change.