CPI International Holding Corp.
and Subsidiaries

NON-GAAP SUPPLEMENTAL INFORMATION
EBITDA and Adjusted EBITDA
(in thousands - unaudited)

		Three Months Ended		Six Months Ended	
		April 1, 2011 (1)	**April 2, 2010**	**April 1, 2011 (1)**	**April 2, 2010**
Net (loss) income		$ (13,668)	$ 4,492	$ (11,446)	$ 8,333
Depreciation and amortization		4,852	2,750	7,675	5,485
Interest expense, net		6,215	3,855	9,926	7,736
Income tax (benefit) expense		(412)	2,452	543	4,362
EBITDA		(3,013)	13,549	6,698	25,916
Adjustments to exclude certain non-recurring or non-cash items:					
Stock-based compensation expense	(2)	4,077	788	4,867	1,518
Loss on debt extinguishment	(3)	134	-	134	-
Merger expenses	(4)	14,363	211	17,020	211
Veritas Capital management fee	(5)	300	-	300	-
Total adjustments		18,874	999	22,321	1,729
Adjusted EBITDA		$ 15,861	$ 14,548	$ 29,019	$ 27,645
EBITDA margin	(6)	(3.2%)	15.3%	3.6%	15.1%
Adjusted EBITDA margin	(7)	16.6%	16.5%	15.7%	16.2%
Net income margin	(8)	(14.3%)	5.1%	(6.2%)	4.9%

(1) Based on the combined results of CPI International Holding Corp. for the period February 11, 2011 through April 1, 2011, and the predecessor, CPI International, Inc. (the "Predecessor"), for the periods January 1, 2011 through February 10, 2011 or October 2, 2010 through February 10, 2011. CPI believes that this presentation facilitates the ability of its investors to more meaningfully compare its combined operating results for the three and six months ended April 1, 2011 with the corresponding periods of fiscal year 2010.
(2) Represents a charge for stock options, restricted stock awards, restricted stock unit awards and the employee discount related to CPI’s Employee Stock Purchase Plan, including for the acceleration of vesting of stock options in conjunction with the sale of the Predecessor.
(3) Represents bond tender fees and other related expenses related to the retirement of debt obligations of the Predecessor, net of a gain from debt repayment at less than fair value.
(4) Represents non-recurring transaction costs, such as fees for investment bankers, attorneys and other professional services rendered in conjunction with the sale of the company. For the periods ended April 1, 2011, also includes cash payments for the unvested portion of restricted stock awards for which vesting was accelerated.
(5) Represents a management fee payable to Veritas Capital for advisory and consulting services.
(6) Represents EBITDA divided by sales.
(7) Represents adjusted EBITDA divided by sales.
(8) Represents net income divided by sales.

Non-GAAP Supplemental Information

EBITDA, adjusted EBITDA, EBITDA margin and adjusted EBITDA margin presented here are non-generally accepted accounting principles (GAAP) financial measures. EBITDA represents earnings before net interest expense, provisions for income taxes and depreciation and amortization. Adjusted EBITDA represents EBITDA further adjusted to exclude certain non-recurring, non-cash or other unusual items. EBITDA margin represents EBITDA divided by sales. Adjusted EBITDA margin represents adjusted EBITDA divided by sales.

CPI believes that GAAP-based financial information for leveraged businesses, such as the company's business, should be supplemented by EBITDA, adjusted EBITDA, EBITDA margin and adjusted EBITDA margin so that investors better understand the company's operating performance in connection with their analysis of the company's business. In addition, CPI's management team uses EBITDA and adjusted EBITDA to evaluate the company's operating performance, to monitor compliance with its senior credit facility, to make day-to-day operating decisions and as a component in the calculation of management bonuses. Other companies may define EBITDA, adjusted EBITDA, EBITDA margin and adjusted EBITDA margin differently and, as a result, the company's measures may not be directly comparable to EBITDA, adjusted EBITDA, EBITDA margin and adjusted EBITDA margin of other companies. Because EBITDA, adjusted EBITDA, EBITDA margin and adjusted EBITDA margin do not include certain material costs, such as interest and taxes in the case of EBITDA-based measures, necessary to operate the company's business, when analyzing the company's business, these non-GAAP measures should be considered in addition to, and not as a substitute for, net income (loss), net income margin or other statements of income data prepared in accordance with GAAP.