

AVIAT NETWORKS, INC.

Quarter Ended June 29, 2012 Summaries

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURE

To supplement the consolidated financial statements presented in accordance with accounting principles generally accepted in the United States ("GAAP"), we provide additional measures of gross margin, research and development expenses, selling and administrative expenses, operating income or loss, other income or loss, income tax provision or benefit, income or loss from continuing operations, basic and diluted income or loss per share from continuing operations, and adjusted earnings before interest, tax, depreciation and amortization ("EBITDA"), adjusted to exclude certain costs, charges, gains and losses. We believe 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. Reconciliations of these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP follow.

Table 1
AVIAT NETWORKS, INC.
Fiscal Year 2012 Fourth Quarter Summary
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (1)
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended				Fiscal Year Ended			
	June 29, 2012	% of Revenue	July 1, 2011	% of Revenue	June 29, 2012	% of Revenue	July 1, 2011	% of Revenue
	(In millions, except per share amounts)							
GAAP gross margin	\$ 32.8	28.3 %	\$ 32.8	27.1 %	\$ 131.7	29.7 %	\$ 128.1	28.3 %
Share-based compensation	0.2		0.1		0.7		0.4	
Write-off of deferred inventory and E&O costs	—		3.3		1.0		6.6	
Amortization of purchased technology	0.2		0.2		0.7		0.7	
Non-GAAP gross margin	<u>\$ 33.2</u>	28.6 %	<u>\$ 36.4</u>	30.1 %	<u>\$ 134.1</u>	30.2 %	<u>\$ 135.8</u>	30.0 %
GAAP research and development expenses	\$ 9.3	8.0 %	\$ 9.7	8.0 %	\$ 36.0	8.1 %	\$ 40.5	9.0 %
Share-based compensation	(0.2)		(0.5)		(0.9)		(1.9)	
Non-GAAP research and development expenses	<u>\$ 9.1</u>	7.8 %	<u>\$ 9.2</u>	7.6 %	<u>\$ 35.1</u>	7.9 %	<u>\$ 38.6</u>	8.5 %
GAAP selling and administrative expenses	\$ 23.9	20.6 %	\$ 23.8	19.7 %	\$ 98.9	22.3 %	\$ 104.0	23.0 %
Share-based compensation	(1.1)		(0.8)		(3.6)		(2.4)	
Rebranding and transitional services	—		—		—		(0.9)	
NetBoss bad debt expenses and other	0.1		0.9		(0.8)		0.9	
Non-GAAP selling and administrative expenses	<u>\$ 22.9</u>	19.7 %	<u>\$ 23.9</u>	19.8 %	<u>\$ 94.5</u>	21.3 %	<u>\$ 101.6</u>	22.5 %
GAAP operating loss	\$ (1.4)	(1.2)%	\$ (3.4)	(2.8)%	\$ (12.7)	(2.9)%	\$ (34.6)	(7.7)%
Share-based compensation	1.5		1.4		5.2		4.7	
Write-off of deferred inventory and E&O costs	—		3.3		1.0		6.6	
Amortization of purchased technology	0.2		0.2		0.7		0.7	
Rebranding and transitional services	—		—		—		0.9	
NetBoss bad debt expenses and other	(0.1)		(0.9)		0.8		(0.9)	
Amortization of intangible assets	0.1		0.7		1.6		2.8	
Goodwill impairment charges	—		—		5.6		—	
Restructuring charges	0.9		2.0		2.3		15.4	
Non-GAAP operating income (loss)	<u>\$ 1.2</u>	1.0 %	<u>\$ 3.3</u>	2.7 %	<u>\$ 4.5</u>	1.0 %	<u>\$ (4.4)</u>	(1.0)%
GAAP interest and other expense, net	\$ —	— %	\$ (3.8)	(3.1)%	\$ (1.3)	(0.3)%	\$ (10.1)	(2.2)%
Loss on sale of NetBoss assets	—		0.2		—		4.6	
Transactional tax assessments and other	—		2.3		0.6		2.8	
Costs related to liquidation of foreign subsidiaries	—		0.8		—		0.8	
Non-GAAP interest and other expense, net	<u>\$ —</u>	— %	<u>\$ (0.5)</u>	(0.4)%	<u>\$ (0.7)</u>	(0.2)%	<u>\$ (1.9)</u>	(0.4)%
GAAP income tax provision (benefit)	\$ (0.4)	(0.3)%	\$ (0.9)	(0.7)%	\$ 1.5	0.3 %	\$ 14.1	3.1 %
Adjustment to reflect zero percent pro forma tax rate	0.4		0.9		(1.5)		(14.1)	
Non-GAAP income tax provision	<u>\$ —</u>	— %	<u>\$ —</u>	— %	<u>\$ —</u>	— %	<u>\$ —</u>	— %
GAAP loss from continuing operations	\$ (1.0)	(0.9)%	\$ (6.3)	(5.2)%	\$ (15.5)	(3.5)%	\$ (58.8)	(13.0)%
Share-based compensation	1.5		1.4		5.2		4.7	
Write-off of deferred inventory and E&O costs	—		3.3		1.0		6.6	
Amortization of purchased technology	0.2		0.2		0.7		0.7	
Rebranding and transitional services	—		—		—		0.9	
NetBoss bad debt expenses and other	(0.1)		(0.9)		0.8		(0.9)	
Amortization of intangible assets	0.1		0.7		1.6		2.8	
Goodwill impairment charges	—		—		5.6		—	
Restructuring charges	0.9		2.0		2.3		15.4	
Loss on sale of NetBoss assets	—		0.2		—		4.6	
Transactional tax assessments and other	—		2.3		0.6		2.8	
Costs related to liquidation of foreign subsidiaries	—		0.8		—		0.8	
Adjustment to reflect zero percent pro forma tax rate	(0.4)		(0.9)		1.5		14.1	
Non-GAAP income (loss) from continuing operations	<u>\$ 1.2</u>	1.0 %	<u>\$ 2.8</u>	2.3 %	<u>\$ 3.8</u>	0.9 %	<u>\$ (6.3)</u>	(1.4)%

	Quarter Ended				Fiscal Year Ended			
	June 29, 2012	% of Revenue	July 1, 2011	% of Revenue	June 29, 2012	% of Revenue	July 1, 2011	% of Revenue
(In millions, except per share amounts)								
Basic and diluted income (loss) per share from continuing operations								
GAAP	\$ (0.02)		\$ (0.11)		\$ (0.26)		\$ (1.00)	
Non-GAAP	\$ 0.02		\$ 0.05		\$ 0.06		\$ (0.11)	
Shares used in computing income (loss) per share from continuing operations								
GAAP - basic and diluted	59.2		58.8		59.0		58.6	
Non-GAAP - basic	61.3		60.6		61.0		58.6	
Non-GAAP - diluted	61.4		60.6		61.0		58.6	
GAAP loss from continuing operations	\$ (1.0)	(0.9)%	\$ (6.3)	(5.2)%	\$ (15.5)	(3.5)%	\$ (58.8)	(13.0)%
Depreciation and amortization of property, plant and equipment and capitalized software	1.4		1.8		4.9		8.6	
Interest expense	0.3		0.5		1.3		2.2	
Share-based compensation	1.5		1.4		5.2		4.7	
Write-off of deferred inventory and E&O costs	—		3.3		1.0		6.6	
Amortization of purchased technology	0.2		0.2		0.7		0.7	
Rebranding and transitional services	—		—		—		0.9	
NetBoss bad debt expenses and other	(0.1)		(0.9)		0.8		(0.9)	
Amortization of intangible assets	0.1		0.7		1.6		2.8	
Goodwill impairment charges	—		—		5.6		—	
Restructuring charges	0.9		2.0		2.3		15.4	
Loss on sale of NetBoss assets	—		0.2		—		4.6	
Transactional tax assessments and other	—		2.3		0.6		2.8	
Costs related to liquidation of foreign subsidiaries	—		0.8		—		0.8	
Adjustment to reflect zero percent pro forma tax rate	(0.4)		(0.9)		1.5		14.1	
Adjusted EBITDA	\$ 2.9	2.5 %	\$ 5.1	4.2 %	\$ 10.0	2.3 %	\$ 4.5	1.0 %

- (1) The adjustments above reconcile our GAAP financial results to the non-GAAP financial measures used by us. Our non-GAAP financial measures exclude share-based compensation, write-off of deferred inventory and excess and obsolete inventory, amortization of purchased technology, rebranding and transitional services, NetBoss bad debt expenses, amortization of intangible assets, goodwill impairment charges, restructuring charges, loss on sale of NetBoss assets, transactional tax assessments, adjustment to reflect zero percent pro forma tax rate, depreciation and amortization of property, plant and equipment and capitalized software and interest expense. We believe that the presentation of these non-GAAP items provides meaningful supplemental information to investors, when viewed in conjunction with, and not in lieu of, our GAAP results. However, the non-GAAP financial measures have not been prepared under a comprehensive set of accounting rules or principles. Non-GAAP information should not be considered in isolation from, or as a substitute for, information prepared in accordance with GAAP. Moreover, there are material limitations associated with the use of non-GAAP financial measures.

Table 2
AVIAT NETWORKS, INC.
Fiscal Year 2012 Fourth Quarter Summary
SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA
(Unaudited)

	Quarter Ended		Fiscal Year Ended	
	June 29, 2012	July 1, 2011	June 29, 2012	July 1, 2011
	(In millions)			
North America	\$ 40.7	\$ 42.2	\$ 164.9	\$ 160.1
International:				
Africa and Middle East	46.9	50.6	147.7	144.1
Europe and Russia	13.8	11.1	53.6	73.4
Latin America and Asia Pacific	14.6	17.0	77.8	74.5
Total International	75.3	78.7	279.1	292.0
	\$ 116.0	\$ 120.9	\$ 444.0	\$ 452.1