

AVIAT NETWORKS, INC.

Quarter Ended March 28, 2014 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, 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 ("Adjusted EBITDA"), adjusted to exclude certain costs, charges, gains and losses, as set forth below. 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 4

AVIAT NETWORKS, INC.

Fiscal Year 2014 Third Quarter Summary
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES ⁽¹⁾
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended				Three Quarters Ended			
	March 28, 2014	% of Revenue	March 29, 2013	% of Revenue	March 28, 2014	% of Revenue	March 29, 2013	% of Revenue
	(In millions, except percentages and per share amounts)							
GAAP gross margin	\$ 20.9	25.7 %	\$ 34.1	28.8 %	\$ 65.3	25.1 %	\$ 106.5	29.4 %
Share-based compensation	0.1		0.1		0.2		0.4	
Warehouse consolidation costs	—		—		0.2		—	
Amortization of purchased technology	—		0.2		—		0.5	
Non-GAAP gross margin	21.0	25.8 %	34.4	29.1 %	65.7	25.2 %	107.4	29.6 %
GAAP research and development expenses	\$ 8.4	10.3 %	\$ 9.9	8.4 %	\$ 27.5	10.6 %	\$ 29.0	8.0 %
Share-based compensation	—		—		(0.2)		(0.7)	
Non-GAAP research and development expenses	8.4	10.3 %	9.9	8.4 %	27.3	10.5 %	28.3	7.8 %
GAAP selling and administrative expenses	\$ 23.0	28.3 %	\$ 24.7	20.9 %	\$ 67.4	25.9 %	\$ 71.7	19.8 %
Share-based compensation	(0.5)		(1.3)		(2.4)		(3.6)	
Transactional taxes assessments	—		(0.7)		(0.6)		(1.3)	
Non-GAAP selling and administrative expenses	22.5	27.6 %	22.7	19.2 %	64.4	24.7 %	66.8	18.4 %
GAAP operating income (loss)	\$ (14.8)	(18.2)%	\$ (1.0)	(0.8)%	\$ (38.9)	(14.9)%	\$ 4.6	1.3 %
Share-based compensation	0.6		1.4		2.8		4.7	
Warehouse consolidation costs	—		—		0.2		—	
Amortization of purchased technology	—		0.2		—		0.5	
Transactional taxes assessments	—		0.7		0.6		1.3	
Amortization of intangible assets	0.1		0.1		0.3		0.3	
Restructuring charges	4.2		0.4		9.0		0.9	
Non-GAAP operating income (loss)	(9.9)	(12.2)%	1.8	1.5 %	(26.0)	(10.0)%	12.3	3.4 %
GAAP income tax provision	\$ 0.5	0.6 %	\$ 0.6	0.5 %	\$ 0.2	0.1 %	\$ 12.0	3.3 %
Adjustment to reflect pro forma tax rate	—		—		1.3		(10.1)	
Non-GAAP income tax provision	0.5	0.6 %	0.6	0.5 %	1.5	0.6 %	1.9	0.5 %
GAAP loss from continuing operations	\$ (15.1)	(18.6)%	\$ (1.6)	(1.4)%	\$ (39.0)	(15.0)%	\$ (7.4)	(2.0)%
Share-based compensation	0.6		1.4		2.8		4.7	
Warehouse consolidation costs	—		—		0.2		—	
Amortization of purchased technology	—		0.2		—		0.5	
Transactional taxes assessments	—		0.7		0.6		1.3	
Amortization of intangible assets	0.1		0.1		0.3		0.3	
Restructuring charges	4.2		0.4		9.0		0.9	
Adjustment to reflect pro forma tax rate	—		—		(1.3)		10.1	
Non-GAAP income (loss) from continuing operations	\$ (10.2)	(12.5)%	\$ 1.2	1.0 %	\$ (27.4)	(10.5)%	\$ 10.4	2.9 %
Income (loss) per share from continuing operations								
Basic:								
GAAP	\$ (0.24)		\$ (0.03)		\$ (0.63)		\$ (0.12)	
Non-GAAP	\$ (0.16)		\$ 0.02		\$ (0.45)		\$ 0.17	
Diluted:								
GAAP	\$ (0.24)		\$ (0.03)		\$ (0.63)		\$ (0.12)	
Non-GAAP	\$ (0.16)		\$ 0.02		\$ (0.45)		\$ 0.17	
Shares used in computing income (loss) per share from continuing operations								
Basic:								
GAAP	61.9		60.3		61.5		59.9	
Non-GAAP	61.9		61.3		61.5		61.3	
Diluted:								
GAAP	61.9		60.3		61.5		59.9	
Non-GAAP	61.9		62.7		61.5		61.8	

Quarter Ended				Three Quarters Ended			
March 28, 2014	% of Revenue	March 29, 2013	% of Revenue	March 28, 2014	% of Revenue	March 29, 2013	% of Revenue

(In millions, except percentages and per share amounts)

ADJUSTED EBITDA:

GAAP loss from continuing operations	\$ (15.1)	(18.6)%	\$ (1.6)	(1.4)%	\$ (39.0)	(15.0)%	\$ (7.4)	(2.0)%
Depreciation and amortization of property, plant and equipment	1.8		1.3		5.3		4.2	
Interest expense	0.1		0.2		0.3		0.7	
Share-based compensation	0.6		1.4		2.8		4.7	
Warehouse consolidation costs	—		—		0.2		—	
Amortization of purchased technology	—		0.2		—		0.5	
Transactional taxes assessments	—		0.7		0.6		1.3	
Amortization of intangible assets	0.1		0.1		0.3		0.3	
Restructuring charges	4.2		0.4		9.0		0.9	
Provision for income taxes	0.5		0.6		0.2		12.0	
Adjusted EBITDA	\$ (7.8)	(9.6)%	\$ 3.3	2.8 %	\$ (20.3)	(7.8)%	\$ 17.2	4.7 %

- (1) The adjustments above reconcile our GAAP financial results to the non-GAAP financial measures used by us. Our non-GAAP income or loss from continuing operations excluded share-based compensation, warehouse consolidation costs, amortization of purchased technology, transactional taxes assessments, amortization of intangible assets, restructuring charges, and adjustment to reflect pro forma tax rate. Adjusted EBITDA was determined by excluding depreciation and amortization on property, plant and equipment, interest expense, provision for income taxes, and non-GAAP pre-tax adjustments, as set forth above, from the GAAP income (loss) from continuing operations. 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.