

## **HARRIS STRATEX NETWORKS, INC.**

### **Quarter and Three Quarters Ended April 3, 2009 Summaries**

#### **RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURE**

To supplement our condensed consolidated financial statements presented in accordance with accounting principles generally accepted in the United States (GAAP), we provide additional measures of revenue, gross margin, operating income (loss), non-operating income (loss), cost of product sales and services, research and development expenses, selling and administrative expenses, income (loss) before income taxes, income taxes, net income (loss), and net income (loss) per basic and diluted share adjusted to exclude certain costs, expenses, gains and losses, including such amounts related to our merger with Stratex. Management of Harris Stratex Networks, Inc. (the "Company" or "Harris Stratex") believes that these non-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. Management also believes these non-GAAP measures enhance the ability of an investor to analyze trends in Harris Stratex business and better understand our performance. In addition, the Company may utilize non-GAAP financial measures as a guide in its 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**  
**HARRIS STRATEX NETWORKS, INC.**

**Fiscal Year 2009 Third Quarter Summary**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Quarter Ended							
	April 3, 2009				March 28, 2008			
	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.....	\$ 158.0	\$ —	\$ 158.0		\$ 178.2	\$ —	\$ 178.2	
Cost of product sales and services (A).....	(108.8)	—	(108.8)		(126.1)	0.5	(125.6)	
Charges for product transition (B).....	(29.8)	29.8	—		—	—	—	
Amortization of purchased technology (C).....	(1.8)	1.8	—		(1.8)	1.8	—	
Gross margin.....	17.6	31.6	49.2	31.1%	50.3	2.3	52.6	29.5%
Research and development expenses (D).....	(9.9)	0.2	(9.7)	6.1%	(11.5)	0.4	(11.1)	6.2%
Selling and administrative expenses (E).....	(34.6)	0.6	(34.0)	21.5%	(31.1)	2.7	(28.4)	15.9%
Amortization of intangible assets (F).....	(1.4)	1.4	—		(1.9)	1.9	—	
Acquired in-process research and development (G).....	(2.4)	2.4	—		—	—	—	
Software impairment charges (H).....	(2.9)	2.9	—		—	—	—	
Restructuring charges (I).....	(0.5)	0.5	—		—	—	—	
Operating (loss) income.....	(34.1)	39.6	5.5	3.5%	5.8	7.3	13.1	7.4%
Interest income.....	0.2	—	0.2		0.3	—	0.3	
Interest expense.....	(0.8)	—	(0.8)		(0.7)	—	(0.7)	
(Loss) income before income taxes.....	(34.7)	39.6	4.9	<i>Tax rate</i>	5.4	7.3	12.7	<i>Tax rate</i>
Income tax (expense) benefit (J).....	(3.6)	2.4	(1.2)	24%	(0.2)	(3.1)	(3.3)	26%
Net (loss) income.....	<u>\$ (38.3)</u>	<u>\$ 42.0</u>	<u>\$ 3.7</u>		<u>\$ 5.2</u>	<u>\$ 4.2</u>	<u>\$ 9.4</u>	
Net (loss) income per common share of Class A and Class B common stock Note (1):								
Basic.....	<u>\$ (0.65)</u>		<u>\$ 0.06</u>		<u>\$ 0.09</u>		<u>\$ 0.16</u>	
Diluted.....	<u>\$ (0.65)</u>		<u>\$ 0.06</u>		<u>\$ 0.05</u>		<u>\$ 0.16</u>	
Basic weighted average shares outstanding.....	<u>58.8</u>		<u>58.8</u>		<u>58.4</u>		<u>58.4</u>	
Diluted weighted average shares outstanding.....	<u>58.8</u>		<u>58.8</u>		<u>58.7</u>		<u>58.7</u>	

(1) The net (loss) income per common share amounts are the same for Class A and Class B because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

**Notes to Table 1:**

**Note A** – Cost of sales and services – Includes adjustments for the third quarter of fiscal 2009 to remove Stratex Networks purchase accounting adjustments for the amortization of the step-up in the value of fixed assets of \$0.1 million and to remove a FAS 123R credit to expense of \$0.1 million.

For the third quarter of fiscal 2008, includes adjustments to remove Stratex Networks purchase accounting adjustments for the amortization of the step-up in the value of fixed assets of \$0.2 million, and FAS 123R expense of \$0.3 million.

**Note B** – Charges for product transition – Adjustments for the third quarter of fiscal 2009 to remove charges for an accelerated transition towards a common IP-based platform. These charges included \$26.4 million related to provisions for legacy product excess and obsolete inventory, and write-downs of property, plant, manufacturing and test equipment. Additionally, \$3.4 million in charges were recorded for inventory purchase commitments.

**Note C** – Amortization of purchased technology – Adjustments for the third quarter of fiscal 2009 and fiscal 2008 to remove amortization of purchased intangibles in connection with the merger with Stratex Networks.

**Note D** – Research and development expenses – Adjustments to remove FAS 123R expense of \$0.2 million for the third quarter of fiscal 2009 and \$0.4 million for the third quarter of fiscal 2008.

**Note E** – Selling and administrative expenses – Includes adjustments for the third quarter of fiscal 2009 to remove Stratex Networks purchase accounting adjustments for the amortization of the step-up in the value of fixed assets of \$0.2 million and to remove FAS 123R expense of \$0.4 million.

For the third quarter of fiscal 2008, includes adjustments to remove Stratex Networks purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets of \$0.5 million, Stratex Networks merger integration costs of \$0.9 million, and FAS 123R expense of \$1.3 million.

**Note F** – Amortization of intangible assets – Adjustment for the third quarter of fiscal 2009 and fiscal 2008 to remove amortization of purchased intangibles in connection with the Stratex Networks merger.

**Note G** – Acquired in-process research and development – Adjustment to remove charges incurred during the third quarter of fiscal 2009 from the Telsima acquisition.

**Note H** – Software impairment charges – Adjustments for the third quarter of fiscal 2009 to remove charges for impairment of software.

**Note I** – Restructuring charges – Adjustment to remove charges for restructuring incurred during the third quarter of fiscal 2009 and fiscal 2008.

**Note J** – Income tax (expense) benefit – Adjustments to reflect a pro forma tax rate of 24 percent for the third quarter of fiscal 2009 and a pro forma tax rate of 26 percent for the third quarter of fiscal 2008.

**Table 2**  
**HARRIS STRATEX NETWORKS, INC.**

**Fiscal Year 2009 Third Quarter Summary**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Three Quarters Ended							
	April 3, 2009				March 28, 2008			
	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 .....	\$ 544.7	\$ —	\$ 544.7		\$ 531.6	\$ —	\$ 531.6	
Cost of product sales and services (A).....	(379.3)	0.7	(378.6)		(380.0)	6.8	(373.2)	
Charges for product transition (B).....	(29.8)	29.8	—		—	—	—	
Amortization of purchased technology (C).....	(5.4)	5.4	—		(5.3)	5.3	—	
Gross margin .....	130.2	35.9	166.1	30.5%	146.3	12.1	158.4	29.8%
Research and development expenses (D).....	(29.6)	0.5	(29.1)	5.3%	(34.8)	1.1	(33.7)	6.3%
Selling and administrative expenses (E) .....	(104.0)	2.3	(101.7)	18.7%	(96.1)	12.0	(84.1)	15.8%
Amortization of intangible assets (F) .....	(4.2)	4.2	—		(5.6)	5.6	—	
Acquired in-process research and development (G)	(2.4)	2.4	—		—	—	—	
Software impairment charges (H).....	(2.9)	2.9	—		—	—	—	
Goodwill impairment charges (I) .....	(279.0)	279.0	—		—	—	—	
Trade name impairment charges (I).....	(22.0)	22.0	—		—	—	—	
Restructuring charges (J) .....	(4.9)	4.9	—		(8.4)	8.4	—	
Operating (loss) income.....	(318.8)	354.1	35.3	6.5%	1.4	39.2	40.6	7.6%
Interest income.....	0.9	—	0.9		1.4	—	1.4	
Interest expense.....	(2.2)	—	(2.2)		(2.2)	—	(2.2)	
(Loss) income before income taxes .....	(320.1)	354.1	34.0	<i>Tax rate</i>	0.6	39.2	39.8	<i>Tax rate</i>
Income tax (expense) benefit (K) .....	(28.0)	19.8	(8.2)	24%	1.2	(11.5)	(10.3)	26%
Net (loss) income .....	<u>\$ (348.1)</u>	<u>\$ 373.9</u>	<u>\$ 25.8</u>		<u>\$ 1.8</u>	<u>\$ 27.7</u>	<u>\$ 29.5</u>	
Net (loss) income per common share of Class A and Class B common stock (Note 1):								
Basic.....	<u>\$ (5.93)</u>		<u>\$ 0.44</u>		<u>\$ 0.03</u>		<u>\$ 0.51</u>	
Diluted.....	<u>\$ (5.93)</u>		<u>\$ 0.44</u>		<u>\$ (0.02)</u>		<u>\$ 0.50</u>	
Basic weighted average shares outstanding .....	<u>58.7</u>		<u>58.7</u>		<u>58.4</u>		<u>58.4</u>	
Diluted weighted average shares outstanding .....	<u>58.7</u>		<u>58.7</u>		<u>58.9</u>		<u>58.9</u>	

(1) The net (loss) income per common share amounts are the same for Class A and Class B because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

## Notes to Table 2:

**Note A** – Cost of sales and services – Includes adjustments for the first three quarters of fiscal 2009 to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets of \$0.5 million and to remove FAS 123R expense of \$0.2 million.

For the first three quarters of fiscal 2008, includes adjustments to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets of \$0.6 million, merger integration costs of \$1.5 million and FAS 123R expense of \$1.0 million. Also includes adjustment to remove \$3.7 million in write-downs of inventory related to restructuring actions for the first three quarters of fiscal 2008.

**Note B** – Charges for product transition – Adjustments for the first three quarters of fiscal 2009 to remove charges for an accelerated transition towards a common IP-based platform. These charges included \$26.4 million related to provisions for legacy product excess and obsolete inventory, and write-downs of property, plant, manufacturing and test equipment. Additionally, \$3.4 million in charges were recorded for inventory purchase commitments.

**Note C** – Amortization of purchased technology – Adjustments for the first three quarters of fiscal 2009 and fiscal 2008 to remove amortization of purchased intangibles in connection with the merger.

**Note D** – Research and development expenses – Adjustments to remove FAS 123R expense of \$0.5 million for the first three quarters of fiscal 2009 and \$1.1 million for the first three quarters of fiscal 2008.

**Note E** – Selling and administrative expenses – Includes adjustments for the first three quarters of fiscal 2009 to remove Stratex Networks purchase accounting adjustments for the amortization of the step-up in the value of fixed assets of \$1.0 million and to remove FAS 123R expense of \$1.3 million.

For the first three quarters of fiscal 2008, includes adjustments to remove Stratex Networks purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets of \$1.5 million, Stratex Networks merger integration costs of \$5.4 million, lease impairment costs of \$0.9 million and FAS 123R expense of \$4.2 million.

**Note F** – Amortization of intangible assets – Adjustment for the first three quarters of fiscal 2009 and fiscal 2008 to remove amortization of purchased intangibles in connection with the Stratex Networks merger.

**Note G** – Acquired in-process research and development – Adjustment to remove charges incurred during the first three quarters of fiscal 2009 from the Telsima acquisition, which occurred on February 27, 2009.

**Note H** – Software impairment charges – Adjustments for the first three quarters of fiscal 2009 to remove charges for impairment of software.

**Note I** – Goodwill and Trade name impairment charges – Adjustment to remove charges for impairment incurred during the first three quarters of fiscal 2009.

**Note J** – Restructuring charges – Adjustment to remove charges for restructuring incurred during the first three quarters of fiscal 2009 and fiscal 2008.

**Note K** – Income tax (expense) benefit – Adjustments to reflect a pro forma tax rate of 24 percent for the first three quarters of fiscal 2009 and a pro forma tax rate of 26 percent for the first three quarters of fiscal 2008. The adjustment in the first three quarters 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 3**  
**HARRIS STRATEX NETWORKS, INC.**

**Fiscal Year 2009 Third Quarter Summary**  
**SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA**  
**(Unaudited)**

	<b>Quarter Ended</b>					
	<b>April 3, 2009</b>			<b>March 28, 2008</b>		
	(In millions)					
	<b>As Reported</b>	<b>Non-GAAP Adjustments</b>	<b>Non-GAAP</b>	<b>As Reported</b>	<b>Non-GAAP Adjustments</b>	<b>Non-GAAP</b>
<b>North America</b>	\$ 42.2	\$ —	\$ 42.2	\$ 56.9	\$ —	\$ 56.9
<b>International:</b>						
Africa	63.0	—	63.0	55.9	—	55.9
Europe, Middle East, and Russia	32.3	—	32.3	39.2	—	39.2
Latin America and AsiaPac	<u>17.6</u>	<u>—</u>	<u>17.6</u>	<u>22.0</u>	<u>—</u>	<u>22.0</u>
<b>Total International</b>	112.9	—	112.9	117.1	—	117.1
<b>Network Operations</b>	<u>2.9</u>	<u>—</u>	<u>2.9</u>	<u>4.2</u>	<u>—</u>	<u>4.2</u>
	<u>\$ 158.0</u>	<u>\$ —</u>	<u>\$ 158.0</u>	<u>\$ 178.2</u>	<u>\$ —</u>	<u>\$ 178.2</u>

**Table 4**  
**HARRIS STRATEX NETWORKS, INC.**

**Fiscal Year 2009 Third Quarter Summary**  
**SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA**  
**(Unaudited)**

	<b>Three Quarters Ended</b>					
	<b>April 3, 2009</b>			<b>March 28, 2008</b>		
	(In millions)					
	<b>As Reported</b>	<b>Non-GAAP Adjustments</b>	<b>Non-GAAP</b>	<b>As Reported</b>	<b>Non-GAAP Adjustments</b>	<b>Non-GAAP</b>
<b>North America</b>	\$ 168.5	\$ —	\$ 168.5	\$ 177.3	\$ —	\$ 177.3
<b>International:</b>						
Africa	179.8	—	179.8	149.3	—	149.3
Europe, Middle East, and Russia	117.4	—	117.4	103.9	—	103.9
Latin America and AsiaPac	<u>67.8</u>	<u>—</u>	<u>67.8</u>	<u>83.9</u>	<u>—</u>	<u>83.9</u>
<b>Total International</b>	365.0	—	365.0	337.1	—	337.1
<b>Network Operations</b>	<u>11.2</u>	<u>—</u>	<u>11.2</u>	<u>17.2</u>	<u>—</u>	<u>17.2</u>
	<u>\$ 544.7</u>	<u>\$ —</u>	<u>\$ 544.7</u>	<u>\$ 531.6</u>	<u>\$ —</u>	<u>\$ 531.6</u>