



Harris Stratex Networks Reports Q2 Fiscal 2008 Financial Results

Research Triangle Park, NC – January 30, 2008 – Harris Stratex Networks, Inc. (NASDAQ: HSTX), the leading independent supplier of turnkey wireless transmission solutions, today reported financial results for the second quarter of fiscal 2008, which ended December 28, 2007.

Revenue for the second quarter of fiscal 2008 was \$181.1 million. GAAP net loss was \$1.0 million or \$0.02 per share, which includes \$17.6 million in pre-tax charges associated with the merger transaction, integration, asset impairment and stock compensation expense.

Non-GAAP Financial Results

On a non-GAAP basis, the second quarter revenue of \$181.1 million was an increase of 5 percent compared with \$171.9 million in the prior year quarter. Non-GAAP gross margin was 31.1 percent in the second quarter of fiscal 2008, operating income was \$16.8 million, and net income was \$12.1 million or \$0.21 per share.

A reconciliation of GAAP to non-GAAP financial measures is provided on Table 4 along with the accompanying notes.

North America microwave had record second quarter revenue of \$63.8 million, realizing 13 percent growth compared to the prior quarter and an increase over the year ago quarter. Network Operations also had a strong revenue quarter at \$6.5 million, comparable to the prior quarter and 30 percent higher than the year ago quarter.

"I am very pleased with the continued momentum in our North America Microwave and Network Operations segments," said Guy Campbell, president and chief executive officer of Harris Stratex Networks. "Mobile network footprint expansion, increased bandwidth demand, and microwave relocation are expected to continue to fuel growth for North America. Our Network Operations segment continues to benefit from increased demand for our service assurance solution with Next Generation Network (NGN) customers. Gross margins in these two segments are on plan and overall these businesses are delivering to our expected results."

International revenue of \$110.8 million was comparable to the prior quarter and increased 7 percent compared with the year-ago period. Combined revenues for Latin America and Asia Pacific were \$37.8 million, an increase of 54 percent compared to the prior year, as the company's focus on capturing new customers in these regions gained traction. Africa revenue at \$41.0 million increased 4 percent compared to the year-ago quarter. Revenue in Europe, Middle East and Russia was \$32.0 million, a decrease of 20 percent compared with the year ago period, as a result of operator consolidations and slower implementation of 3G networks.

"We are pleased with the year over year revenue growth in International. However, gross margins in this segment did not meet our expectations," said Campbell. "Geographic revenue mix, particularly the shift in contribution from Europe, Middle East and Russia, to Latin America and Asia Pacific, impacted margin performance. Additionally, we experienced increased freight costs which could not be passed on to customers, and services margins for engineering and installation projects were also lower than expected. We are taking immediate steps to reduce costs and improve operational performance in the second half of the fiscal year."

Total operating expenses declined from \$40.0 million, or 23 percent of revenue, in Q2 of fiscal 2007 to \$39.5 million, or 22 percent of revenue, in Q2 of fiscal 2008. However, on a sequential basis, Q2 fiscal 2008 operating expenses increased by \$900,000. "Although expense synergies are being realized according to our plan, we have seen an increase in G&A related primarily to ensuring SOX readiness for the new company that was not previously anticipated at the levels we have experienced," said Campbell. "We are addressing the spending in G&A to return to planned levels in the second half of the year."

Outlook and Guidance

The company increased its revenue guidance for fiscal 2008 to a new range of \$700 million to \$720 million. Non-GAAP earnings guidance was reduced to a new range of \$0.85 to \$0.95 per share.

"Demand remains strong," said Campbell, "and we expect to continue to expand our customer base. We expect that the TRuepoint® 6000 series product introductions, value engineering, and additional cost-saving initiatives within operations will drive continued improvement in our earnings going forward. We have realized the expected cost savings from our merger in the first half of the year, and we are on track to achieve our \$35 million goal for the full year. However, we now believe that the

customer, product and geographic mix that we experienced in the first half of the year will continue into the second half of this year.”

Conference Call

Harris Stratex Networks will host a conference call today to discuss the company's financial results at 5:30 p.m. Eastern Time. Those wishing to join the call should dial 303-262-2075 (no pass code required) at approximately 5:20 p.m. A replay of the call will be available starting one hour after the call's completion until February 8. To access the replay, dial 303-590-3000 (pass code: 11106010 #). A live and archived webcast of the conference call will also be available via the company's Web site at www.HarrisStratex.com/investors/conference-call.

Non-GAAP Measures and Comparative Financial Information

Harris Stratex Networks, Inc. and the Microwave Communications Division of Harris Corporation report information in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). The GAAP information presented in this press release consists of the results of operations, cash flows and financial position of Harris Stratex Networks, Inc. for the quarter and two quarters ended December 28, 2007 and December 29, 2006. On January 26, 2007, the Microwave Communications Division of Harris Corporation and Stratex Networks, Inc. merged into Harris Stratex Networks, Inc. and became one reporting entity. Accordingly, management of Harris Stratex Networks will monitor revenues, cost of product sales and services, research and development expenses, selling and administrative expenses, operating income or loss, tax expense or benefit, net income or loss, and net income or loss per share for the new combined entity for planning and forecasting results in future periods, and may use these measures for some management compensation purposes. As such, historical non-GAAP combined information has been included in this press release for comparative purposes. These measures exclude certain costs and expenses as discussed herein. As a result, management is presenting these non-GAAP measures in addition to results reported in accordance with GAAP to better communicate underlying operational and financial performance in each period. Management believes these non-GAAP 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 given period. Management also believes that these non-GAAP measures enhance the ability of an investor to analyze trends in Harris Stratex Networks' business and to better understand our performance.

Harris Stratex Networks management does not, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Harris Stratex Networks presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate the Company's financial performance. Reconciliations of these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP are included in the tables below.

About Harris Stratex Networks

Harris Stratex Networks, Inc. (NASDAQ: HSTX) is the world's leading independent supplier of turnkey wireless transmission solutions. The company offers reliable, flexible and scalable wireless network solutions, backed by comprehensive professional services and support. Harris Stratex Networks serves all global markets, including mobile network operators, public safety agencies, private network operators, utility and transportation companies, government agencies and broadcasters. Customers in more than 135 countries depend on Harris Stratex Networks to build, expand and upgrade their voice, data and video solutions. Harris Stratex Networks is recognized around the world for innovative, best-in-class wireless networking solutions and services. For more information, visit www.HarrisStratex.com.

Forward-Looking Statements

The information contained in this document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act and Section 27A of the Securities Act. All statements, trend analyses and other information contained herein about the markets for the services and products of Harris Stratex Networks and trends in revenue, as well as other statements identified by the use of forward-looking terminology, including “anticipated”, “believe”, “plan”, “estimate”, “expect”, “goal”, “will”, “see”, “continues”, “delivering”, and “intend”, or the negative of these terms or other similar expressions, constitute forward-looking statements. These forward-looking statements are based on estimates reflecting the current beliefs of the senior management of Harris Stratex Networks. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should therefore be considered in light of various important factors, including those set forth in this document. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include the following:

- the volume, timing and customer, product and geographic mix of our product orders may have an impact on our operating results
- the failure to obtain and retain expected cost synergies from the merger
- continued price erosion as a result of increased competition in the microwave transmission industry
- the ability to achieve business plans for Harris Stratex Networks
- the ability to manage and maintain key customer relationships

- the effect of technological changes on Harris Stratex Networks' businesses
- the ability to maintain projected product rollouts, product functionality, anticipated cost reductions or market acceptance of planned products
- the ability to successfully integrate the operations, personnel and businesses of the former Stratex Networks, Inc. with those of the former Microwave Communications Division of Harris Corporation
- the ability of our subcontractors to perform or our key suppliers to manufacture or deliver material
- customers may not pay for products or services in a timely manner, or at all
- the failure of Harris Stratex Networks to protect its intellectual property rights and its ability to defend itself against intellectual property infringement claims by others
- currency and interest rate risks
- the impact of political, economic and geographic risks on international sales
- the impact of slowing growth in the wireless telecommunications market combined with supplier and operator consolidations; and
- supplier pricing pressure

For more information regarding the risks and uncertainties for our business as well as risks relating to the combination of the former Harris Corporation Microwave Communications Division and the former Stratex Networks, see "Risk Factors" in our form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on August 27, 2007, as well as other reports filed by Harris Stratex Networks with the SEC from time to time. Harris Stratex Networks undertakes no obligation to update publicly any forward-looking statement for any reason, except as required by law, even as new information becomes available or other events occur in the future.

[Financial Tables Attached.](#)

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