

## **AVIAT NETWORKS, INC.**

### **Quarter and Two Quarters Ended December 31, 2010 Summaries**

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

To supplement our consolidated financial statements presented in accordance with accounting principles generally accepted in the United States ("GAAP"), we provide additional measures of revenue, cost of product sales and services, gross margin, research and development expenses, selling and administrative expenses, operating loss, loss before income taxes, income taxes, net loss, and net loss per basic and diluted share adjusted to exclude certain costs, charges, gains and losses. Aviat Networks, Inc. ("we" or "our") believes 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. A reconciliation of these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP follows.

Table 1

## AVIAT NETWORKS, INC.

**Fiscal Year 2011 Second Quarter Summary**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Quarter Ended							
	December 31, 2010				January 1, 2010			
	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	\$ 124.2	\$ —	\$ 124.2		\$ 122.6	\$ —	\$ 122.6	
Cost of product sales and services (A)	87.4	(0.1)	87.3		78.2	(0.1)	78.1	
Amortization of purchased technology (B)	0.1	(0.1)	—		2.1	(2.1)	—	
Gross margin	36.7	0.2	36.9	29.7%	42.3	2.2	44.5	36.3%
Research and development expenses (C)	12.1	(0.8)	11.3	9.1%	10.1	(0.2)	9.9	8.1%
Selling and administrative expenses (D)	26.5	(1.6)	24.9	20.0%	35.4	(1.9)	33.5	27.3%
Amortization of intangible assets (E)	0.7	(0.7)	—		1.5	(1.5)	—	
Restructuring charges (F)	3.4	(3.4)	—		1.5	(1.5)	—	
Operating (loss) income	(6.0)	6.7	0.7	0.6%	(6.2)	7.3	1.1	0.9%
Loss on sale of NetBoss assets (G)	(0.5)	0.5	—		—	—	—	
Interest income	—	—	—		0.1	—	0.1	
Interest expense	(0.7)	—	(0.7)	Tax	(0.4)	—	(0.4)	Tax
Income (loss) before income taxes	(7.2)	7.2	—	rate	(6.5)	7.3	0.8	rate
Income tax provision (H)	5.3	(5.3)	—	0%	1.4	(1.4)	—	0%
Net income (loss)	\$ (12.5)	\$ 12.5	\$ —		\$ (7.9)	\$ 8.7	\$ 0.8	
Net income (loss) per common share:								
Basic and diluted	\$ (0.21)		\$ —		\$ (0.13)		\$ 0.01	
Basic and diluted weighted average shares outstanding	58.4		60.1		59.3		59.3	

**Notes to Table 1:**

**Note A** — Cost of sales and services — Adjustment for the second quarter of fiscal 2011 is to remove non-cash share-based compensation expense of \$0.1 million.

For the second quarter of fiscal 2010, amount includes adjustment to cost of product sales and services remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets of \$0.1 million and non-cash share-based compensation expense of \$27,000.

**Note B** — Amortization of purchased technology — Adjustment is to remove amortization of purchased intangibles.

**Note C** — Research and development expenses — Adjustment for the second quarters of fiscal 2011 and 2010 is to remove non-cash share-based compensation expense of \$0.8 million and \$0.2 million, respectively.

**Note D** — Selling and administrative expenses — Includes adjustments for the second quarter of fiscal 2011 to remove non-cash share-based compensation expense of \$0.4 million, expenses related to rebranding and other transitional services in connection with the corporate name change of \$0.6 million, and estimated interest and penalty related to historical Harris Corporation's Brazilian tax liability of \$0.5 million.

For the second quarter of fiscal 2010, includes adjustments to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets of \$0.1 million, non-cash share-based compensation expense of \$0.3 million, and expenses related to rebranding in connection with the anticipated change in corporate name required by the license agreement termination notice from Harris Corporation of \$1.5 million.

**Note E** — Amortization of intangible assets — Adjustment to remove amortization of purchased intangibles.

**Note F** — Restructuring charges — Adjustment to remove charges incurred for restructuring.

**Note G** — Loss on sale of NetBoss assets — Adjustment to remove the loss incurred on the sale of NetBoss assets to a third party in the first quarter of fiscal 2011.

**Note H** — Provision for income taxes — Adjustment to reflect a zero percent pro forma tax rate for the second quarters of fiscal 2011 and 2010.

Table 2

## AVIAT NETWORKS, INC.

**Fiscal Year-to-Date 2011 Summary**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Two Quarters Ended							
	December 31, 2010				January 1, 2010			
	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	\$ 233.3	\$ —	\$ 233.3		\$ 242.6	\$ —	\$ 242.6	
Cost of product sales and services (A)	172.1	(0.3)	171.8		158.4	(0.3)	158.1	
Amortization of purchased technology (B)	0.3	(0.3)	—		4.2	(4.2)	—	
Gross margin	<u>60.9</u>	<u>0.6</u>	<u>61.5</u>	26.4%	<u>80.0</u>	<u>4.5</u>	<u>84.5</u>	34.8%
Research and development expenses (C)	23.2	(1.0)	22.2	9.5%	20.8	(0.3)	20.5	8.5%
Selling and administrative expenses (D)	55.7	(2.3)	53.4	22.9%	66.2	(3.0)	63.2	26.1%
Amortization of intangible assets (E)	1.4	(1.4)	—		3.0	(3.0)	—	
Restructuring charges (F)	<u>9.0</u>	<u>(9.0)</u>	<u>—</u>		<u>2.6</u>	<u>(2.6)</u>	<u>—</u>	
Operating (loss) income	<u>(28.4)</u>	<u>14.3</u>	<u>(14.1)</u>	-6.0%	<u>(12.6)</u>	<u>13.4</u>	<u>0.8</u>	0.3%
Loss on sale of NetBoss assets (G)	(4.4)	4.4	—		—	—	—	
Interest income	0.1	—	0.1		0.1	—	0.1	
Interest expense	<u>(1.3)</u>	<u>—</u>	<u>(1.3)</u>	<i>Tax</i>	<u>(0.9)</u>	<u>—</u>	<u>(0.9)</u>	<i>rate</i>
Loss before income taxes	<u>(34.0)</u>	<u>18.7</u>	<u>(15.3)</u>	<i>rate</i>	<u>(13.4)</u>	<u>13.4</u>	<u>—</u>	<i>rate</i>
Income tax provision (benefit) (H)	<u>(0.2)</u>	<u>0.2</u>	<u>—</u>	0%	<u>2.3</u>	<u>(2.3)</u>	<u>—</u>	16.0%
Net loss	<u>\$ (33.8)</u>	<u>\$ 18.5</u>	<u>\$ (15.3)</u>		<u>\$ (15.7)</u>	<u>\$ 15.7</u>	<u>\$ —</u>	
Net loss per common share:								
Basic and diluted	<u>\$ (0.58)</u>		<u>\$ (0.26)</u>		<u>\$ (0.27)</u>		<u>\$ —</u>	
Basic and diluted weighted average shares outstanding	<u>58.4</u>		<u>58.4</u>		<u>59.1</u>		<u>59.1</u>	

**Notes to Table 2:**

**Note A** — Cost of sales and services — Includes adjustments for the first two quarters of fiscal 2011 and 2010 to remove non-cash share-based compensation expense of \$0.2 million and \$0.1 million, respectively, and purchase accounting adjustments for the amortization of the step-up in the value of fixed assets of \$48,000 and \$0.2 million, respectively.

**Note B** — Amortization of purchased technology — Adjustment to remove amortization of purchased intangibles.

**Note C** — Research and development expenses — Adjustment for the first two quarters of fiscal 2011 and 2010 to remove non-cash share-based compensation expense of \$1.0 million and \$0.3 million, respectively.

**Note D** — Selling and administrative expenses — Includes adjustments for the first two quarters of fiscal 2011 to remove non-cash share-based compensation expense of \$0.9 million, expenses related to rebranding and other transitional services in connection with the corporate name change of \$0.9 million and estimated interest and penalty related to historical Harris Corporation's Brazilian tax liability of \$0.5 million.

For the first two quarters of fiscal 2010, includes adjustments to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets of \$0.2 million and non-cash share-based compensation expense of \$1.2 million. Also includes adjustments to remove expenses related to rebranding in connection with the change in Company name required by the license agreement termination notice from Harris Corporation of \$0.6 million and expenses related to implementing new internal information systems required to provide services which were phased out under the Transitional Services Agreement with Harris of \$1.0 million.

**Note E** — Amortization of intangible assets — Adjustment to remove amortization of purchased intangibles.

**Note F** — Restructuring charges — Adjustment to remove charges incurred for restructuring.

**Note G** — Loss on sale of NetBoss assets — Adjustment to remove the loss incurred on the sale of NetBoss assets to a third party in the first quarter of fiscal 2011.

**Note H** — Provision for income taxes — Adjustment to reflect a zero percent pro forma tax rate for the first two quarters of fiscal 2011 and 2010.



## AVIAT NETWORKS, INC.

### Fiscal Year 2011 Second Quarter and Year-to-Date Summary SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA (Unaudited)

	Quarter Ended		Two Quarters Ended	
	December 31, 2010	January 1, 2010	December 31, 2010	January 1, 2010
	(In millions)			
<b>North America</b>	\$ 40.4	\$ 49.4	\$ 76.1	\$ 97.4
<b>International:</b>				
Africa	26.2	18.6	49.2	48.5
Europe, Middle East, and Russia	33.7	29.9	62.3	48.5
Latin America and AsiaPac	23.9	24.7	45.7	48.2
<b>Total International</b>	<b>83.8</b>	<b>73.2</b>	<b>157.2</b>	<b>145.2</b>
	<b>\$ 124.2</b>	<b>\$ 122.6</b>	<b>\$ 233.3</b>	<b>\$ 242.6</b>