

AVIAT NETWORKS, INC.

Quarter Ended December 28, 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 ("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 1
AVIAT NETWORKS, INC.
Fiscal Year 2013 Second Quarter Summary
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (1)
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended				Two Quarters Ended			
	December 28, 2012 (1)	% of Revenue	December 30, 2011 (1)	% of Revenue	December 28, 2012 (1)	% of Revenue	December 30, 2011 (1)	% of Revenue
(In millions, except percentages and per share amounts)								
GAAP gross margin	\$ 38.7	30.0 %	\$ 31.9	30.4 %	\$ 72.4	29.7 %	\$ 64.6	29.9 %
Share-based compensation	0.1		0.2		0.2		0.3	
Write-off of deferred inventory and E&O costs	—		0.9		—		1.0	
Amortization of purchased technology	0.2		0.1		0.4		0.3	
Non-GAAP gross margin	39.0	30.2 %	33.1	31.5 %	73.0	29.9 %	66.2	30.6 %
GAAP research and development expenses	\$ 9.8	7.6 %	\$ 8.8	8.4 %	\$ 19.1	7.8 %	\$ 17.8	8.2 %
Share-based compensation	(0.5)		(0.3)		(0.8)		(0.5)	
Non-GAAP research and development expenses	9.3	7.2 %	8.5	8.1 %	18.3	7.5 %	17.3	8.0 %
GAAP selling and administrative expenses	\$ 23.7	18.4 %	\$ 25.3	24.1 %	\$ 46.4	19.0 %	\$ 49.9	23.1 %
Share-based compensation	(1.2)		(0.9)		(2.3)		(1.5)	
Other nonrecurring charges	—		(0.4)		—		(0.4)	
Non-GAAP selling and administrative expenses	22.5	17.4 %	24.0	22.9 %	44.1	18.1 %	48.0	22.2 %
GAAP operating income (loss)	\$ 4.9	3.8 %	\$ (8.6)	(8.2)%	\$ 6.2	2.5 %	\$ (11.1)	(5.1)%
Share-based compensation	1.8		1.4		3.3		2.3	
Write-off of excess and obsolete inventories	—		0.9		—		1.0	
Amortization of purchased technology	0.2		0.1		0.4		0.3	
Other nonrecurring charges	—		0.4		—		0.4	
Amortization of intangible assets	0.1		0.7		0.2		1.4	
Goodwill impairment charges	—		5.6		—		5.6	
Restructuring charges	0.2		0.1		0.5		1.0	
Non-GAAP operating income	7.2	5.6 %	0.6	0.6 %	10.6	4.3 %	0.9	0.4 %
GAAP other expense, net	\$ —	— %	\$ (0.6)	(0.6)%	\$ (0.6)	(0.2)%	\$ (0.8)	(0.4)%
Transactional taxes assessments	—		0.3		0.6		0.3	
Non-GAAP other expense, net	—	— %	(0.3)	(0.3)%	—	— %	(0.5)	(0.2)%
GAAP income tax provision	\$ 9.9	7.7 %	\$ 0.8	0.8 %	\$ 11.4	4.7 %	\$ 1.8	0.8 %
Adjustment to reflect pro forma tax rate	(9.2)		(0.8)		(10.1)		(1.8)	
Non-GAAP income tax provision	0.7	0.5 %	—	— %	1.3	0.5 %	—	— %
GAAP loss from continuing operations	\$ (5.0)	(3.9)%	\$ (10.0)	(9.5)%	\$ (5.8)	(2.4)%	\$ (13.7)	(6.3)%
Share-based compensation	1.8		1.4		3.3		2.3	
Write-off of excess and obsolete inventories	—		0.9		—		1.0	
Amortization of purchased technology	0.2		0.1		0.4		0.3	
Other nonrecurring charges	—		0.4		—		0.4	
Amortization of intangible assets	0.1		0.7		0.2		1.4	
Goodwill impairment charges	—		5.6		—		5.6	
Restructuring charges	0.2		0.1		0.5		1.0	
Transactional taxes assessments	—		0.3		0.6		0.3	
Adjustment to reflect pro forma tax rate	9.2		0.8		10.1		1.8	
Non-GAAP income from continuing operations	\$ 6.5	5.0 %	\$ 0.3	0.3 %	\$ 9.3	3.8 %	\$ 0.4	0.2 %
Income (loss) per share from continuing operations								
Basic:								
GAAP	\$ (0.08)		\$ (0.17)		\$ (0.10)		\$ (0.23)	
Non-GAAP	\$ 0.11		\$ —		\$ 0.15		\$ 0.01	
Diluted:								
GAAP	\$ (0.08)		\$ (0.17)		\$ (0.10)		\$ (0.23)	
Non-GAAP	\$ 0.11		\$ —		\$ 0.15		\$ 0.01	
Shares used in computing income (loss) per share from continuing operations								
Basic:								
GAAP	60.0		59.0		59.7		58.9	
Non-GAAP	61.2		61.1		61.2		60.7	
Diluted:								

GAAP	60.0	59.0	59.7	58.9
Non-GAAP	61.5	61.1	61.4	60.7

	Quarter Ended				Two Quarters Ended			
	December 28, 2012 (1)	% of Revenue	December 30, 2011 (1)	% of Revenue	December 28, 2012 (1)	% of Revenue	December 30, 2011 (1)	% of Revenue
ADJUSTED EBITA:								
	(In millions, except percentages)							
GAAP loss from continuing operations	\$ (5.0)	(3.9)%	\$ (10.0)	(9.5)%	\$ (5.8)	(2.4)%	\$ (13.7)	(6.3)%
Depreciation and amortization of property, plant and equipment	1.3		0.8		2.9		2.1	
Interest expense	0.2		0.4		0.5		0.8	
Share-based compensation	1.8		1.4		3.3		2.3	
Write-off of excess and obsolete inventories	—		0.9		—		1.0	
Amortization of purchased technology	0.2		0.1		0.4		0.3	
Other nonrecurring charges	—		0.4		—		0.4	
Amortization of intangible assets	0.1		0.7		0.2		1.4	
Goodwill impairment charges	—		5.6		—		5.6	
Restructuring charges	0.2		0.1		0.5		1.0	
Transactional tax assessments	—		0.3		0.6		0.3	
Adjustment to reflect pro forma tax rate	9.9		0.8		11.4		1.8	
Adjusted EBITDA	\$ 8.7	6.7 %	\$ 1.5	1.4 %	\$ 14.0	5.7 %	\$ 3.3	1.5 %

- (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, write-off of excess and obsolete inventory, amortization of purchased technology, amortization of intangible assets, goodwill impairment charges, restructuring charges, transactional tax assessments, 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 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.

Table 2
AVIAT NETWORKS, INC.
Fiscal Year 2013 Second Quarter Summary
SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA
(Unaudited)

	Quarter Ended		Two Quarters Ended	
	December 28, 2012	December 30, 2011	December 28, 2012	December 30, 2011
	(in millions)			
North America	\$ 41.4	\$ 44.2	\$ 80.1	\$ 81.2
International:				
Africa and Middle East	63.9	24.0	112.9	66.7
Europe and Russia	9.2	15.8	21.6	28.2
Latin America and Asia Pacific	14.5	21.0	29.4	40.3
	87.6	60.8	163.9	135.2
Total Revenue	\$ 129.0	\$ 105.0	\$ 244.0	\$ 216.4