

**AVIAT NETWORKS, INC. (FORMERLY HARRIS STRATEX NETWORKS, INC.)**

**Quarter and Fiscal Year Ended July 2, 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 income (loss), income (loss) before income taxes, income taxes, net income (loss), and net income (loss) per basic and diluted share adjusted to exclude certain costs, charges, gains and losses, including such amounts related to our merger with Stratex Networks. 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 2010 Fourth Quarter Summary  
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

## Condensed Consolidated Statements of Operations

(Unaudited)

	Quarter Ended							
	July 2, 2010				July 3, 2009			
	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<u>Non-GAAP</u>	<u>% of Sales</u>	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<u>Non-GAAP</u>	<u>% of Sales</u>
	(In millions, except per share amounts)							
Revenue from product sales and services	\$ 116.3	\$ -	\$ 116.3		\$ 135.2	\$ -	\$ 135.2	
Cost of product sales and services (A)	(79.2)	(0.9)	(80.1)		(85.4)	0.3	(85.1)	
Amortization of purchased technology (B)	(1.9)	1.9	—		(2.1)	2.1	—	
Gross margin	35.2	1.0	36.2	31.1%	47.7	2.4	50.1	37.1%
Research and development expenses (C)	(10.1)	0.2	(9.9)	8.5%	(10.8)	0.2	(10.6)	7.8%
Selling and administrative expenses (D)	(39.8)	6.5	(33.3)	28.6%	(34.3)	0.7	(33.6)	24.9%
Amortization of intangible assets (E)	(1.3)	1.3	-		(1.4)	1.4	-	
Intangible assets, goodwill and other impairment charges (F)	(71.9)	71.9	-		(10.9)	10.9	-	
Restructuring charges (G)	(3.8)	3.8	—		(3.3)	3.3	—	
Operating (loss) income	(91.7)	84.7	(7.0)	(6.0)%	(13.0)	18.9	5.9	4.4%
Other income (H)	1.2	(1.2)	-		-	-	-	
Interest income	0.2	-	0.2		-	-	-	
Interest expense	(0.7)	—	(0.7)		(0.6)	—	(0.6)	
(Loss) income before income taxes	(91.0)	83.5	(7.5)	Tax rate	(13.6)	18.9	5.3	Tax rate
Income tax benefit (expense) (I)	2.2	(2.2)	-	0%	10.2	(10.4)	(0.2)	4%
Net (loss) income	\$ (88.8)	\$ 81.3	\$ (7.5)		\$ (3.4)	\$ 8.5	\$ 5.1	
Net (loss) income per common share:								
Basic and diluted	\$ (1.49)		\$ (0.13)		\$ (0.06)		\$ 0.09	
Basic and diluted weighted average shares outstanding	59.7		59.7		59.0		59.0	

**Notes to Table 1:**

**Note A** - Cost of sales and services - Includes adjustment to cost of product sales and services for the fourth quarter of fiscal 2010 to remove a \$1.0 million gain on sale of land and building in San Antonio and to remove share-based compensation expense (\$0.1 million).

For the fourth quarter of fiscal 2009, includes adjustment to cost of product sales and services to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets (\$0.1 million) and adjustment to remove share-based compensation expense (\$0.2 million).

**Note B** - Amortization of purchased technology - Adjustment for the fourth quarters of fiscal 2010 and 2009 to remove amortization of purchased intangibles.

**Note C** - Research and development expenses - Adjustment for the fourth quarter of fiscal 2010 to remove non-cash share-based compensation expense of \$0.2 million.

For the fourth quarter of fiscal 2009, adjustment is to remove non-cash share-based compensation expense of \$0.2 million.

**Note D** - Selling and administrative expenses - Includes adjustment for the fourth quarter of fiscal 2010 to remove non-cash share-based compensation expense (\$1.0 million) and various charges for lease and other asset impairments (\$3.4 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 (\$0.3 million). Also includes \$1.8 million to remove severance costs accrued for the former CEO.

For the fourth quarter of fiscal 2009, includes adjustment to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets (\$0.1 million) and non-cash share-based compensation expense (\$0.6 million).

**Note E** - Amortization of intangible assets - Adjustment for the fourth quarter of fiscal 2010 and 2009 to remove amortization of purchased intangibles.

**Note F** - Intangible assets, goodwill and other impairment charges - Adjustments for the fourth quarter of fiscal 2009 to remove impairment charges.

**Note G** - Restructuring charges - Adjustment to remove charges for restructuring incurred during the fourth quarters of fiscal 2010 and 2009.

**Note H** - Other income - Adjustment to remove a \$1.2 million gain on the settlement of purchase price for the Telsima acquisition.

**Note I** - Provision for income taxes - Adjustment to reflect a zero percent pro forma tax rate for the fourth quarter of fiscal 2010 and a pro forma 4 percent tax rate for the fourth quarter of fiscal 2009. We estimate zero tax expense for the fourth quarter of fiscal 2010 due to recording net losses in fourth quarter of fiscal 2010.

Table 2

## AVIAT NETWORKS, INC.

Fiscal Year 2010 Summary

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Condensed Consolidated Statements of Operations

(Unaudited)

	Fiscal Year Ended							
	July 2, 2010				July 3, 2009			
	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<u>Non-GAAP</u>	<u>% of Sales</u>	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<u>Non-GAAP</u>	<u>% of Sales</u>
(In millions, except per share amounts)								
Revenue from product sales and services	\$ 478.9	\$ -	\$ 478.9		\$ 679.9	\$ -	\$ 679.9	
Cost of product sales and services (A)	(320.4)	(0.5)	(320.9)		(468.2)	1.0	(467.2)	
Charges for product transition (B)	(16.9)	16.9	-		(29.8)	29.8	-	
Amortization of purchased technology (C)	<u>(8.2)</u>	<u>8.2</u>	-		<u>(7.5)</u>	<u>7.5</u>	-	
Gross margin	133.4	24.6	158.0	33.0%	174.4	38.3	212.7	31.3%
Research and development expenses (D)	(41.1)	0.6	(40.5)	8.5%	(40.4)	0.7	(39.7)	5.8%
Selling and administrative expenses (E)	(141.0)	11.2	(129.8)	27.1%	(138.3)	3.0	(135.3)	19.9%
Amortization of intangible assets (F)	(5.6)	5.6	-		(5.6)	5.6	-	
Acquired in-process research and development (G)	-	-	-		(2.4)	2.4	-	
Intangible assets, goodwill and other impairment charges (H)	(71.9)	71.9	-		(314.8)	314.8	-	
Restructuring charges (I)	<u>(7.1)</u>	<u>7.1</u>	-		<u>(8.2)</u>	<u>8.2</u>	-	
Operating (loss) income	(133.3)	121.0	(12.3)	(2.6)%	(335.3)	373.0	37.7	5.5%
Other income (J)	1.2	(1.2)	-		-	-	-	
Interest income	0.3	-	0.3		0.9	-	0.9	
Interest expense	<u>(2.2)</u>	-	<u>(2.2)</u>		<u>(2.8)</u>	-	<u>(2.8)</u>	
(Loss) income before income Taxes	(134.0)	119.8	(14.2)	<i>Tax rate</i>	(337.2)	373.0	35.8	<i>Tax rate</i>
Income tax benefit (expense) (K)	<u>3.8</u>	<u>(3.8)</u>	-	0%	<u>(17.8)</u>	<u>10.3</u>	<u>(7.5)</u>	21%
Net (loss) income	\$ (130.2)	\$ 116.0	\$ (14.2)		\$ (355.0)	\$ 383.3	\$ 28.3	
Net (loss) income per common share:								
Basic and diluted	\$ (2.19)		\$ (0.24)		\$ (6.05)		\$ 0.48	
Basic and diluted weighted average shares outstanding	59.4		59.4		58.7		58.7	

**Notes to Table 2:**

**Note A - Cost of sales and services** - Includes adjustment to cost of product sales and services for fiscal 2010 to remove a \$1.0 million gain on sale of land and building in San Antonio, to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets (\$0.3 million) and to remove non-cash share-based compensation expense (\$0.2 million).

For fiscal 2009, includes adjustment to cost of product sales and services to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets (\$0.6 million) and adjustment to remove non-cash share-based compensation expense (\$0.4 million).

**Note B - Charges for product transition** - Adjustments for fiscal 2010 to converge our products onto a single platform. These charges included \$7.9 million related to provisions for legacy product excess and obsolete inventory, and \$5.5 million for impairment of a building and idle equipment. Additionally, \$3.5 million in charges were recorded for inventory purchase commitments.

Adjustments for 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** - Adjustment for fiscal 2010 and 2009 to remove amortization of purchased intangibles.

**Note D - Research and development expenses** - Adjustment for fiscal 2010 to remove non-cash share-based compensation expense of \$0.6 million.

For fiscal 2009, adjustment is to remove non-cash share-based compensation expense of \$0.7 million.

**Note E - Selling and administrative expenses** - Includes adjustment for fiscal 2010 to remove non-cash share-based compensation expense (\$2.4 million), to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets (\$0.3 million) and to remove various charges for lease and other asset impairments (\$3.4 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 (\$1.6 million) and expenses related to implementing new internal information systems required to provide services previously provided under the Transitional Services Agreement with Harris (\$1.1 million). Also includes \$2.4 million to remove severance costs accrued for the former CEO and to move certain executive positions to the new California corporate headquarters office.

For fiscal 2009, includes adjustment to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets (\$1.1 million) and non-cash share-based compensation expense (\$1.9 million).

**Note F - Amortization of intangible assets** - Adjustment for fiscal 2010 and 2009 to remove amortization of purchased intangibles.

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

**Note H - Intangible assets, goodwill and other impairment charges** - Adjustments for fiscal 2009 to remove impairment charges.

**Note I - Restructuring charges** - Adjustment to remove charges for restructuring incurred during fiscal 2010 and 2009.

**Note J - Other income** - Adjustment to remove a \$1.2 million gain on the settlement of purchase price for the Telsima acquisition.

**Note K - Provision for income taxes** - Adjustment to reflect a zero percent pro forma tax rate for fiscal 2010 and a pro forma 21 percent tax rate for fiscal 2009. The adjustment in fiscal 2009 primarily consisted of removing the effect of a \$25.1 million increase in the valuation allowance on certain deferred tax assets.

Table 3

AVIAT NETWORKS, INC.

Fiscal Year 2010 Fourth Quarter Summary

SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA

(Unaudited)

	<u>Quarter Ended</u>	
	<u>July 2, 2010</u>	<u>July 3, 2009</u>
	(In millions)	
<b>North America</b>	<b>\$ 38.1</b>	<b>\$ 59.4</b>
<b>International:</b>		
Africa	<b>38.0</b>	32.7
Europe, Middle East, and Russia	<b>17.0</b>	20.1
Latin America and AsiaPac	<b><u>23.2</u></b>	<u>23.0</u>
<b>Total International</b>	<b><u>78.2</u></b>	<u>75.8</u>
	<b>\$ 116.3</b>	<b>\$ 135.2</b>

Table 4

AVIAT NETWORKS, INC.

Fiscal Year 2010 Summary

SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA

(Unaudited)

	<u>Fiscal Year Ended</u>	
	<u>July 2, 2010</u>	<u>July 3, 2009</u>
	(In millions)	
<b>North America</b>	\$ 175.1	\$ 232.0
<b>International:</b>		
Africa	124.2	213.8
Europe, Middle East, and Russia	88.4	139.7
Latin America and AsiaPac	<u>91.2</u>	<u>94.4</u>
<b>Total International</b>	<b><u>303.8</u></b>	<b><u>447.9</u></b>
	\$ 478.9	\$ 679.9