

HARRIS STRATEX NETWORKS, INC.

Fiscal Year 2008 Second Quarter Summary 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, 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 2008 Second Quarter Summary
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended							
	December 28, 2007				December 29, 2006			
	As Restated	Non-GAAP Adjustments	Non-GAAP (Restated)	% of Sales	As Restated	Non-GAAP Adjustments	Non-GAAP (Restated)	% of Sales
	<i>(In millions, except per share amounts)</i>							
Revenue from product sales and services (A)	\$ 181.1	\$ -	\$ 181.1		\$ 101.2	\$ 70.7	\$ 171.9	
Cost of product sales and services (B)	(130.4)	5.3	(125.1)		(67.7)	(47.3)	(115.0)	
Amortization of purchased technology (C)	(1.7)	1.7	-		-	-	-	
Gross margin	49.0	7.0	56.0	30.9%	33.5	23.4	56.9	33.1%
Research and development expenses (D)	(10.9)	0.2	(10.7)	5.9%	(8.3)	(3.4)	(11.7)	6.8%
Selling and administrative expenses (E)	(36.2)	4.1	(32.1)	17.7%	(17.8)	(10.5)	(28.3)	16.5%
Amortization of intangible assets (F)	(1.9)	1.9	-		-	-	-	
Restructuring charges (G)	(4.4)	4.4	-		(0.7)	0.7	-	
Corporate allocations expense(H)	-	-	-		(1.8)	1.8	-	
Operating (loss) income	(4.4)	17.6	13.2	7.3%	4.9	12.0	16.9	9.3%
Interest income (I)	0.4	-	0.4		0.2	1.0	1.2	
Interest expense (I)	(0.8)	-	(0.8)		(0.3)	(0.6)	(0.9)	
Other expense (I)	-	-	-		-	(0.5)	(0.5)	
(Loss) income before income taxes	(4.8)	17.6	12.8	<i>tax rate</i>	4.8	11.9	16.7	<i>tax rate</i>
Income tax benefit (expense) (J)	1.6	(4.9)	(3.3)	26%	(0.3)	(4.7)	(5.0)	30%
Net (loss) income	<u>\$ (3.2)</u>	<u>\$ 12.7</u>	<u>\$ 9.5</u>		<u>\$ 4.5</u>	<u>\$ 7.2</u>	<u>\$ 11.7</u>	
Net (loss) income per common share:								
Basic and diluted	<u>\$ (0.05)</u>		<u>\$ 0.16</u>		*		*	
Basic and diluted weighted average shares outstanding:								
Basic and diluted	<u>58.4</u>		<u>58.4</u>		*		*	

*Prior to January 26, 2007, the Company was not a public reporting entity and there were no shares outstanding for purposes of earnings (loss) per share calculations.

Notes to Table 1:

Note A - Revenue – Includes adjustment for the second quarter of fiscal 2007 to add \$70.7 million of Stratex Networks, Inc. revenue for the quarter.

Note B – Cost of sales and services – Includes adjustments to cost of product sales and services for the second quarter of fiscal 2008 to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets of \$0.2 million, adjustments to remove \$0.9 million of merger integration costs and adjustments to remove \$0.5 million of FAS 123R expense. Also includes adjustments to remove \$3.7 million in write-downs of inventory related to restructuring actions for the second quarter of fiscal 2008.

For the second quarter of fiscal 2007, includes adjustment to add \$47.5 million of Stratex Networks, Inc cost of product sales and service for the quarter. Also includes adjustment to remove \$0.2 million FAS 123R expense.

Note C – Amortization of purchased technology - Adjustments for the second quarter of fiscal 2008 to remove amortization of purchased intangibles incurred in connection with the merger.

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

For the second quarter of fiscal 2007, includes adjustment to add \$4.0 million of Stratex Networks, Inc. research and development expense for the quarter. Also includes adjustment to remove FAS 123R expense of \$0.6 million.

Note E – Selling and administrative expenses – Includes adjustments for the second quarter of fiscal 2008 to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets of \$0.5 million, \$2.3 million of merger integration costs, \$0.1 million lease impairment costs and FAS 123R expense of \$1.2 million.

For the second quarter of fiscal 2007, includes adjustment to add \$15.0 million of Stratex Networks, Inc selling and administrative expenses for the quarter. Also includes adjustments to remove \$1.8 million of FAS 123R expense and \$2.7 million of integration costs associated with the merger.

Note F – Amortization of intangible assets - Adjustment for the second quarter of fiscal 2008 to remove amortization of purchased intangibles incurred in connection with the merger.

Note G – Restructuring charges - Adjustment to remove charges for restructuring incurred during the second quarter of fiscal 2008.

Note H – Corporate allocation expenses - Adjustment for the second quarter of fiscal 2007 to remove corporate allocation expenses from Harris Corporation, which did not continue after the merger with Stratex.

Note I – Interest income, Interest expense and Other expense – Adjustments for the second quarter of fiscal 2007 to add Stratex Networks, Inc interest income, interest expense, and other expense for the quarter.

Note J – Income tax benefit (expense) - Adjustment to reflect a pro forma 26 percent tax rate for the second quarter of fiscal 2008, and a pro forma 30 percent tax rate for the second quarter of fiscal 2007.

Table 2

HARRIS STRATEX NETWORKS, INC.

Fiscal Year 2008 Second Quarter Summary
 SUPPLEMENTAL SCHEDULE OF REVENUE BY GEOGRAPHICAL AREA
 (Unaudited)

	Quarter Ended							
	December 28, 2007			December 29, 2006				
	(In millions)							
	As Reported	Non-GAAP Adjustments	Non-GAAP	MCD Actual	Stratex Actual	Non-GAAP Adjustments	Combined Non-GAAP	
North America	\$ 63.8	\$ -	\$ 63.8	\$ 58.7	\$ 4.2	\$ -	\$ 62.9	
International:								
Africa	41.0	-	41.0	25.5	13.9	-	39.4	
Europe, Middle East, and Russia	32.0	-	32.0	3.5	36.5	-	40.0	
Latin America and AsiaPac	<u>37.8</u>	<u>-</u>	<u>37.8</u>	<u>8.5</u>	<u>16.1</u>	<u>-</u>	<u>24.6</u>	
Total international	110.8	-	110.8	37.5	66.5	-	104.0	
Network Operations	<u>6.5</u>	<u>-</u>	<u>6.5</u>	<u>5.0</u>	<u>-</u>	<u>-</u>	<u>5.0</u>	
	<u>\$ 181.1</u>	<u>\$ -</u>	<u>\$ 181.1</u>	<u>\$ 101.2</u>	<u>\$ 70.7</u>	<u>\$ -</u>	<u>\$ 171.9</u>	

Table 3

HARRIS STRATEX NETWORKS, INC.

Fiscal Year 2008 Second Quarter Summary
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As of December 28, 2007 (Restated)	As of June 29, 2007 ¹ (Restated)
	(In millions)	
Assets		
Cash and cash equivalents	\$ 73.0	\$ 69.2
Short-term investments	10.0	20.4
Receivables	205.2	183.1
Inventories and unbilled costs	154.5	161.1
Current deferred taxes	7.1	4.1
Other current assets	22.0	21.7
Property, plant and equipment	78.2	80.0
Goodwill	315.7	324.7
Identifiable intangible assets	137.2	144.5
Non-current deferred taxes	0.1	0.5
Other assets	17.4	16.2
	\$ 1,020.4	\$ 1,025.5
Liabilities and Shareholders' Equity		
Short-term debt	\$ -	\$ 1.2
Current portion of long-term debt	7.6	10.7
Accounts payable	96.5	84.7
Accrued expenses and other current liabilities	68.6	78.0
Advance payments and unearned income	27.9	22.3
Due to Harris Corporation	16.2	17.2
Long-term debt	6.3	8.8
Restructuring and other long-term liabilities	10.1	14.6
Redeemable preference shares	8.3	8.3
Warrants outstanding	3.1	3.9
Non-current deferred taxes	20.5	29.4
Shareholders' equity	755.3	746.4
	\$ 1,020.4	\$ 1,025.5

¹ Derived from audited financial statements.