

## **HARRIS STRATEX NETWORKS, INC.**

### **Fiscal Year 2008 Third Quarter Summary**

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

To supplement our condensed 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 Third Quarter Summary**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Quarter Ended							
	March 28, 2008				March 30, 2007			
	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)	\$ 178.2	\$ -	\$ 178.2		\$ 139.0	\$ 7.8	\$ 146.8	
Cost of product sales and services (B)	(126.1)	0.5	(125.6)		(104.1)	(0.5)	(104.6)	
Amortization of purchased technology (C)	(1.8)	1.8	-		(1.2)	1.2	-	
Gross margin	50.3	2.3	52.6	29.6%	33.7	8.5	42.2	28.8%
Research and development expenses (D)	(11.5)	0.4	(11.1)	6.3%	(11.1)	0.3	(10.8)	7.4%
Selling and administrative expenses (E)	(31.1)	2.7	(28.4)	16.0%	(27.7)	(0.1)	(27.8)	19.0%
Acquired in-process research and development (F)	-	-	-		(15.3)	15.3	-	
Amortization of intangible assets (G)	(1.9)	1.9	-		(3.0)	3.0	-	
Restructuring charges (H)	-	-	-		(1.3)	1.3	-	
Corporate allocations expense	-	-	-		(0.3)	-	(0.3)	
Operating (loss) income	5.8	7.3	13.1	7.4%	(25.0)	28.3	3.3	2.3%
Interest income (I)	0.3	-	0.3		0.9	0.1	1.0	
Interest expense (I)	(0.7)	-	(0.7)		(1.1)	(0.2)	(1.3)	
Income (loss) before income taxes	5.4	7.3	12.7	<i>tax rate</i>	(25.2)	28.2	3.0	<i>tax rate</i>
Income tax (expense) benefit (J)	(0.2)	(3.1)	(3.3)	26%	0.6	(1.4)	(0.8)	27%
Net income (loss)	<u>\$ 5.2</u>	<u>\$ 4.2</u>	<u>\$ 9.4</u>		<u>\$ (24.6)</u>	<u>\$ 26.8</u>	<u>\$ 2.2</u>	
Net income (loss) per common share of Class A and Class B common stock (1):								
Basic	<u>\$ 0.09</u>		<u>\$ 0.16</u>		<u>\$ (0.61)</u>			(3)
Diluted	<u>\$ 0.05</u>	(2)	<u>\$ 0.16</u>	(2)	<u>\$ (0.61)</u>			(3)
Basic weighted average shares outstanding:	58.4		58.4		40.3			(3)
Diluted average shares outstanding	58.7		58.7		40.3			(3)

\*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.

(1) The net income (loss) per common share amounts are the same for Class A and Class B because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

(2) For the quarter ended March 28, 2008, the "As Reported" calculations of diluted earnings per share include a potential deduction to net income of \$2.1 million for the assumed after-tax effect of the change in fair value of warrants using the "treasury stock" method. The "Non-GAAP" calculations exclude the effects of this potential deduction.

(3) 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. Basic and diluted weighted average shares outstanding are calculated based on the daily outstanding shares, reflecting the fact that no shares were outstanding prior to January 26, 2007. Non-GAAP earnings per share for the quarter ended March 30, 2007 is not reported because it is not meaningful due to the merger date occurring during the quarter.

**Notes to Table 1:**

**Note A** – Revenue – Includes adjustment for the third quarter of fiscal 2007 to add \$7.8 million of Stratex Networks, Inc. revenue for the month of January prior to the merger.

**Note B** – Cost of sales and services – Includes adjustments to cost of product sales and services for the third 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 and adjustments to remove FAS 123R expense of \$0.3 million.

For the third quarter of fiscal 2007, includes adjustment to \$6.3 million for Stratex Networks cost of product sales and services for the month of January. Also includes adjustments to remove merger related charges including amortization of the step-up in inventory of \$5.4 million and fixed assets of \$0.2 million and adjustments to remove the write off of deferred revenue of \$0.1 million and FAS 123R expense of \$0.1 million.

**Note C** – Amortization of purchased technology - Adjustments for the third quarter of fiscal 2008 and fiscal 2007 to remove amortization of purchased intangibles incurred in connection with the merger.

**Note D** – Research and development expenses - Adjustments for the third quarter of fiscal 2008 to remove FAS 123R expense of \$0.4 million.

The third quarter of fiscal 2007, includes adjustment to remove FAS 123R expense of \$0.3 million.

**Note E** – Selling and administrative expenses – Includes adjustments for the third 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, merger integration costs of \$0.9 million and FAS 123R expense of \$1.3 million.

For the third quarter of fiscal 2007, includes adjustment to add \$3.6 million of Stratex Networks, Inc selling and administrative expenses for the month of January prior to the merger. Also includes adjustments to remove \$1.3 million of FAS 123R expense and \$2.2 million of integration costs associated with the merger.

**Note F** - Adjustment for the third quarter of fiscal 2007 to remove write off of in-process research and development incurred in connection with the merger.

**Note G** – Amortization of intangible assets - Adjustment for the third quarter of fiscal 2008 and fiscal 2007 to remove amortization of purchased intangibles incurred in connection with the merger.

**Note H** – Restructuring charges - Adjustment for the third quarter of fiscal 2007 to remove restructuring charges incurred subsequent to the merger.

**Note I** - Interest income and Interest expense – Adjustments to add Stratex Networks, Inc interest income and interest expense for the month of January prior the merger.

**Note J** – Income tax benefit (expense) - Adjustment to reflect a pro forma 26 percent tax rate for the third quarter of fiscal 2008 and 27 percent tax rate for the third quarter of fiscal 2007.

Table 2

HARRIS STRATEX NETWORKS, INC.

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

	Quarter Ended					
	March 28, 2008			March 30, 2007 <sup>1</sup>		
	(In millions)					
	As Reported	Non-GAAP Adjustments	Non-GAAP	As Reported	Non-GAAP Adjustments	Non-GAAP
<b>North America</b>	\$ 56.9	\$ -	\$ 56.9	\$ 48.9	\$ 0.2	\$ 49.1
<b>International:</b>						
Africa	55.9	-	55.9	35.2	2.4	37.6
Europe, Middle East, and Russia	39.2	-	39.2	30.8	2.7	33.5
Latin America and AsiaPac	22.0	-	22.0	18.9	2.5	21.4
<b>Total international</b>	117.1	-	117.1	84.9	7.6	92.5
<b>Network Operations</b>	4.2	-	4.2	5.2	-	5.2
	<u>\$ 178.2</u>	<u>\$ -</u>	<u>\$ 178.2</u>	<u>\$ 139.0</u>	<u>\$ 7.8</u>	<u>\$ 146.8</u>

<sup>1</sup> During the third quarter of fiscal 2007, MCD and Stratex were merged; therefore, the combined format that has historically been presented in this table is no longer necessary for this quarter and going forward.

**Table 3**

**HARRIS STRATEX NETWORKS, INC.**

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

	As of March 28, 2008 (Restated)	As of June 29, 2007 <sup>1</sup> (Restated)
	(In millions)	
<b>Assets</b>		
Cash and cash equivalents	\$ 97.0	\$ 69.2
Short-term investments	3.4	20.4
Receivables	195.9	183.1
Inventories and unbilled costs	144.4	161.1
Current deferred taxes	6.5	4.1
Other current assets	17.5	21.7
Property, plant and equipment	74.4	80.0
Goodwill	316.5	324.7
Identifiable intangible assets	133.2	144.5
Non-current deferred taxes	-	0.5
Other assets	16.0	16.2
	<u>\$ 1,004.8</u>	<u>\$ 1,025.5</u>
<b>Liabilities and Shareholders' Equity</b>		
Short-term debt	\$ -	\$ 1.2
Current portion of long-term debt	6.0	10.7
Accounts payable	81.8	84.7
Accrued expenses and other current liabilities	70.3	78.0
Advance payments and unearned income	26.7	22.3
Due to Harris Corporation	20.5	17.2
Long-term debt	5.0	8.8
Restructuring and other long-term liabilities	7.8	14.6
Redeemable preference shares	8.3	8.3
Warrants outstanding	0.6	3.9
Non-current deferred taxes	16.8	29.4
Shareholders' equity	761.0	746.4
	<u>\$ 1,004.8</u>	<u>\$ 1,025.5</u>

<sup>1</sup> Derived from audited financial statements.