

AVIAT NETWORKS, INC.

Quarter Ended April 1, 2016 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 loss, income tax provision, loss from continuing operations attributable to Aviat Networks, basic and diluted net loss per share from continuing operations attributable to Aviat Networks, and adjusted earnings before interest, tax, depreciation and amortization (“Adjusted EBITDA”) attributable to Aviat Networks, 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 4
AVIAT NETWORKS, INC.
Fiscal Year 2016 Third Quarter Summary
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES ⁽¹⁾
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended				Three Quarters Ended			
	April 1, 2016	% of Revenue	April 3, 2015	% of Revenue	April 1, 2016	% of Revenue	April 3, 2015	% of Revenue
	(In millions, except percentages and per share amounts)							
GAAP gross margin	\$ 14.4	23.8 %	\$ 16.0	21.4 %	\$ 51.8	24.6 %	\$ 62.0	25.0 %
Share-based compensation	0.1		0.1		0.1		0.1	
Non-GAAP gross margin	<u>14.5</u>	<u>24.0 %</u>	<u>16.1</u>	<u>21.5 %</u>	<u>51.9</u>	<u>24.7 %</u>	<u>62.1</u>	<u>25.0 %</u>
GAAP research and development expenses	\$ 5.0	8.3 %	\$ 6.4	8.6 %	\$ 15.7	7.5 %	\$ 19.4	7.8 %
Share-based compensation	—		—		(0.1)		(0.1)	
Non-GAAP research and development expenses	<u>5.0</u>	<u>8.3 %</u>	<u>6.4</u>	<u>8.6 %</u>	<u>15.6</u>	<u>7.4 %</u>	<u>19.3</u>	<u>7.8 %</u>
GAAP selling and administrative expenses	\$ 16.2	26.8 %	\$ 18.0	24.1 %	\$ 49.5	23.5 %	\$ 58.4	23.5 %
Share-based compensation	(0.4)		(0.6)		(1.2)		(1.5)	
Non-GAAP selling and administrative expenses	<u>15.8</u>	<u>26.2 %</u>	<u>17.4</u>	<u>23.3 %</u>	<u>48.3</u>	<u>23.0 %</u>	<u>56.9</u>	<u>22.9 %</u>
GAAP operating loss	\$ (7.6)	(12.6)%	\$ (11.7)	(15.6)%	\$ (14.2)	(6.7)%	\$ (20.8)	(8.4)%
Share-based compensation	0.5		0.7		1.4		1.7	
Amortization of intangible assets	—		0.1		—		0.3	
Restructuring charges	0.8		3.2		0.8		4.7	
Non-GAAP operating loss	<u>(6.3)</u>	<u>(10.4)%</u>	<u>(7.7)</u>	<u>(10.3)%</u>	<u>(12.0)</u>	<u>(5.7)%</u>	<u>(14.1)</u>	<u>(5.7)%</u>
GAAP income tax provision	\$ 0.4	0.7 %	\$ 1.5	2.0 %	\$ 0.9	0.4 %	\$ 2.4	1.0 %
Adjustment to reflect pro forma tax rate	(0.1)		(1.0)		(0.3)		(1.4)	
Non-GAAP income tax provision	<u>0.3</u>	<u>0.5 %</u>	<u>0.5</u>	<u>0.7 %</u>	<u>0.6</u>	<u>0.3 %</u>	<u>1.0</u>	<u>0.4 %</u>
GAAP loss from continuing operations attributable to Aviat Networks	\$ (8.1)	(13.4)%	\$ (13.1)	(17.5)%	\$ (15.3)	(7.3)%	\$ (23.2)	(9.4)%
Share-based compensation	0.5		0.7		1.4		1.7	
Amortization of intangible assets	—		0.1		—		0.3	
Restructuring charges	0.8		3.2		0.8		4.7	
Adjustment to reflect pro forma tax rate	0.1		1.0		0.3		1.4	
Non-GAAP loss from continuing operations attributable to Aviat Networks	<u>\$ (6.7)</u>	<u>(11.1)%</u>	<u>\$ (8.1)</u>	<u>(10.8)%</u>	<u>\$ (12.8)</u>	<u>(6.1)%</u>	<u>\$ (15.1)</u>	<u>(6.1)%</u>
Basic and diluted loss per share from continuing operations attributable to Aviat Networks stockholders								
Basic and Diluted:								
GAAP	\$ (0.13)		\$ (0.21)		\$ (0.24)		\$ (0.37)	
Non-GAAP	\$ (0.11)		\$ (0.13)		\$ (0.20)		\$ (0.24)	
Basic and diluted shares used in computing loss per share from continuing operations								
Basic and Diluted:								
GAAP	63.1		62.3		62.8		62.2	
Non-GAAP	63.1		62.3		62.8		62.2	

	Quarter Ended				Three Quarters Ended			
	April 1, 2016	% of Revenue	April 3, 2015	% of Revenue	April 1, 2016	% of Revenue	April 3, 2015	% of Revenue

(In millions, except percentages and per share amounts)

ADJUSTED EBITDA:

GAAP loss from continuing operations attributable to Aviat Networks	\$	(8.1)	(13.4)%	\$	(13.1)	(17.5)%	\$	(15.3)	(7.3)%	\$	(23.2)	(9.4)%
Depreciation and amortization of property, plant and equipment		1.7			1.8			5.0			5.3	
Interest expense		—			—			0.1			0.3	
Share-based compensation		0.5			0.7			1.4			1.7	
Amortization of intangible assets		—			0.1			—			0.3	
Restructuring charges		0.8			3.2			0.8			4.7	
Provision for income taxes		0.4			1.5			0.9			2.4	
Adjusted EBITDA attributable to Aviat Networks	\$	(4.7)	(7.8)%	\$	(5.8)	(7.8)%	\$	(7.1)	(3.4)%	\$	(8.5)	(3.4)%

- (1) The adjustments above reconcile our GAAP financial results to the non-GAAP financial measures used by us. Our non-GAAP loss from continuing operations attributable to Aviat Networks excluded share-based compensation, amortization of intangible assets, restructuring charges and adjustment to reflect the 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 loss from continuing operations attributable to Aviat Networks. 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.