

**CPI International Holding Corp.  
and Subsidiaries**

**CONDENSED CONSOLIDATED  
STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands - unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>June 28, 2013</b>	<b>June 29, 2012</b>	<b>June 28, 2013</b>	<b>June 29, 2012</b>
Sales	\$ 109,616	\$ 97,193	\$ 309,396	\$ 286,631
Cost of sales, including \$0, \$13, \$261 and \$20 of utilization of net increase in cost basis of inventory due to purchase accounting, respectively	75,704	67,676	220,810	206,635
Gross profit	<u>33,912</u>	<u>29,517</u>	<u>88,586</u>	<u>79,996</u>
Operating costs and expenses:				
Research and development	3,850	3,370	11,081	10,397
Selling and marketing	5,618	5,209	16,455	16,345
General and administrative	7,227	6,310	20,805	18,483
Amortization of acquisition-related intangible assets	1,947	2,664	7,019	11,252
Total operating costs and expenses	<u>18,642</u>	<u>17,553</u>	<u>55,360</u>	<u>56,477</u>
Operating income	<u>15,270</u>	<u>11,964</u>	<u>33,226</u>	<u>23,519</u>
Interest expense, net	<u>6,753</u>	<u>6,784</u>	<u>20,467</u>	<u>20,437</u>
Income before income taxes	<u>8,517</u>	<u>5,180</u>	<u>12,759</u>	<u>3,082</u>
Income tax expense	<u>2,366</u>	<u>2,235</u>	<u>3,857</u>	<u>2,093</u>
Net income	<u>6,151</u>	<u>2,945</u>	<u>8,902</u>	<u>989</u>
Other comprehensive (loss) income, net of tax				
Unrealized (loss) gain on cash flow hedges, net of tax	(490)	(356)	(1,524)	688
Total other comprehensive (loss) income, net of tax	<u>(490)</u>	<u>(356)</u>	<u>(1,524)</u>	<u>688</u>
Comprehensive income	<u>\$ 5,661</u>	<u>2,589</u>	<u>7,378</u>	<u>1,677</u>

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**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data - unaudited)

	<u>June 28, 2013</u>	<u>September 28, 2012</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 61,272	\$ 43,006
Restricted cash	2,451	1,926
Accounts receivable, net	55,001	51,076
Inventories	92,212	83,937
Deferred tax assets	14,292	14,186
Prepaid and other current assets	4,308	10,400
Total current assets	<u>229,536</u>	<u>204,531</u>
Property, plant, and equipment, net	77,068	81,601
Deferred debt issue costs, net	10,282	11,954
Intangible assets, net	242,569	248,877
Goodwill	179,594	178,934
Other long-term assets	1,034	1,105
Total assets	<u>\$ 740,083</u>	<u>\$ 727,002</u>
<b>Liabilities and stockholders' equity</b>		
Current Liabilities:		
Current portion of long-term debt	\$ —	\$ 3,200
Accounts payable	25,337	26,331
Accrued expenses	31,922	26,707
Product warranty	4,105	4,066
Income taxes payable	6,158	2,852
Advance payments from customers	16,201	14,434
Total current liabilities	<u>83,723</u>	<u>77,590</u>
Deferred income taxes	87,103	88,879
Long-term debt, less current portion	358,703	358,613
Other long-term liabilities	6,206	5,704
Total liabilities	<u>535,735</u>	<u>530,786</u>
Commitments and contingencies		
Stockholders' equity		
Common stock (\$0.01 par value, 2 shares authorized: 1 share issued and outstanding)	—	—
Additional paid-in capital	199,319	198,565
Accumulated other comprehensive (loss) income	(1,075)	449
Retained earnings (accumulated deficit)	6,104	(2,798)
Total stockholders' equity	<u>204,348</u>	<u>196,216</u>
Total liabilities and stockholders' equity	<u>\$ 740,083</u>	<u>\$ 727,002</u>

**CPI International Holding Corp.  
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands - unaudited)

	<b>Nine Months Ended</b>	
	<b>June 28, 2013</b>	<b>June 29, 2012</b>
<b>Cash flows from operating activities</b>		
Net cash provided by operating activities	\$ 30,627	\$ 14,485
<b>Cash flows from investing activities</b>		
Capital expenditures	(3,790)	(6,441)
Acquisitions	(5,371)	(400)
Net cash used in investing activities	(9,161)	(6,841)
<b>Cash flows from financing activities</b>		
Repayment of borrowings under CPII's term loan facility	(3,200)	(1,125)
Net cash used in financing activities	(3,200)	(1,125)
<b>Net increase in cash and cash equivalents</b>	18,266	6,519
Cash and cash equivalents at beginning of period	43,006	34,955
Cash and cash equivalents at end of period	\$ 61,272	\$ 41,474
<b>Supplemental cash flow disclosures</b>		
Cash paid for interest	\$ 14,426	\$ 14,754
Cash (received) paid for income taxes, net	\$ (3,006)	\$ 376

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**NON-GAAP SUPPLEMENTAL INFORMATION  
EBITDA and Adjusted EBITDA  
(in thousands - unaudited)**

	Three Months Ended		Nine Months Ended	
	June 28, 2013	June 29, 2012	June 28, 2013	June 29, 2012
Net income	\$ 6,151	\$ 2,945	\$ 8,902	\$ 989
Depreciation and amortization	5,058	5,473	16,438	19,517
Interest expense, net	6,753	6,784	20,467	20,437
Income tax expense	2,366	2,235	3,857	2,093
EBITDA	20,328	17,437	49,664	43,036
Adjustments to exclude certain non-recurring, non-cash or other unusual items:				
Stock-based compensation expense (1)	251	251	754	746
Acquisition-related expenses (2)	810	722	2,786	722
Write-off of inventory step-up (3)	-	13	261	20
Veritas Capital management fee (4)	658	555	1,682	1,405
Total adjustments	1,719	1,541	5,483	2,893
Adjusted EBITDA	\$ 22,047	\$ 18,978	\$ 55,147	\$ 45,929
EBITDA margin (5)	18.5 %	17.9 %	16.1 %	15.0 %
Adjusted EBITDA margin (6)	20.1 %	19.5 %	17.8 %	16.0 %
Net income margin (7)	5.6 %	3.0 %	2.9 %	0.3 %

- 1) Represents compensation expense for Class B membership interests by certain members of management and independent directors in the company's parent, CPI International Holding LLC.
- 2) Represents non-recurring transaction costs related to the negotiation, closing and integration of acquisitions. Costs include fees for attorneys and other professional services and expenses related to integration of the Codan Satcom operations into those of CPI.
- 3) Represents a non-cash charge for utilization of the net increase in cost basis of inventory that resulted from purchase accounting in connection with acquisitions.
- 4) Represents a management fee payable to Veritas Capital for advisory and consulting services.
- 5) Represents EBITDA divided by sales.
- 6) Represents adjusted EBITDA divided by sales.
- 7) Represents net income (loss) divided by sales.

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**NON-GAAP SUPPLEMENTAL INFORMATION  
Free Cash Flow and Adjusted Free Cash Flow  
(in thousands - unaudited)**

	<b>Twelve Months Ended June 28, 2013</b>	
Net cash provided by operating activities	\$	41,192
Capital expenditures		(4,933)
Free cash flow		36,259
Adjustments to exclude certain non-recurring or other unusual items:		
Cash paid for acquisition-related expenses, net of taxes	(1)	2,463
Cash paid for Veritas Capital advisory fee, net of taxes	(2)	1,253
Cash received for prior year transfer pricing audit	(3)	(4,648)
Total adjustments		(932)
Adjusted free cash flow	\$	35,327
Free cash flow	\$	36,259
Net income	\$	11,598

- 1) Represents non-recurring transaction costs, net of income taxes, related to the negotiation, closing and integration of acquisitions. Costs include fees for attorneys and other professional services and expenses related to integration of the Codan Satcom operations into those of CPI.
- 2) Represents a management fee paid to Veritas Capital for advisory and consulting services, net of income taxes.
- 3) Represents refunded income tax payments with respect to an audit by the Canada Revenue Agency ("CRA") of Communications & Power Industries Canada Inc.'s ("CPI Canada") purchase of the Satcom Division in fiscal years 2001 and 2002. The Company considers this a non-recurring source of cash as it pertains to previous years.