
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 28, 2008

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 000-21507

POWERWAVE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

11-2723423
*(I.R.S. Employer
Identification No.)*

1801 E. St. Andrew Place, Santa Ana, CA 92705
(Address of principal executive offices, zip code)

(714) 466-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, Par Value \$.0001 Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller-reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2008, the registrant had 131,640,924 shares of common stock outstanding.

POWERWAVE TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 28, 2008

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CAUTIONARY STATEMENT RELATED TO FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements as defined within Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, relating to revenue, revenue composition, market conditions, demand and pricing trends, future expense levels, competition and growth prospects in our industry, trends in average selling prices and gross margins, product and infrastructure development, market demand and acceptance, the timing of and demand for next generation products, customer relationships, tax rates, employee relations, the timing of and cost saving synergies from integration activities of the wireless infrastructure division business of Filtronic plc (“Filtronic Wireless”), restructuring charges, the completion of integration activities related to Filtronic Wireless and previous acquisitions and the level of expected future capital and research and development expenditures. Such forward-looking statements are based on the beliefs of, estimates made by, and information currently available to Powerwave Technologies, Inc.’s (“Powerwave” or the “Company”) management and are subject to certain risks, uncertainties and assumptions. Any other statements contained herein (including without limitation statements to the effect that Powerwave or management “estimates,” “expects,” “anticipates,” “plans,” “believes,” “projects,” “continues,” “may,” “will,” “could,” or “would” or statements concerning “potential” or “opportunity” or variations thereof or comparable terminology or the negative thereof) that are not statements of historical fact are also forward-looking statements. The actual results of Powerwave may vary materially from those expected or anticipated in these forward-looking statements. The realization of such forward-looking statements may be impacted by certain important unanticipated factors, including those discussed under Part II, Item 1A, “Risk Factors.” Because of these and other factors that may affect Powerwave’s operating results, past performance should not be considered as an indicator of future performance, and investors should not use historical results to anticipate results or trends in future periods. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers should carefully review the risk factors described in this and other documents that Powerwave files from time to time with the Securities and Exchange Commission, including subsequent Current Reports on Form 8-K, Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K.

HOW TO OBTAIN POWERWAVE SEC FILINGS

All reports filed by Powerwave with the SEC are available free of charge via EDGAR through the SEC website at www.sec.gov. In addition, the public may read and copy materials filed by the Company with the SEC at the SEC’s public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Powerwave also provides copies of its Forms 8-K, 10-K, 10-Q, Proxy Statement and Annual Report at no charge to investors upon request and makes electronic copies of its most recently filed reports available through its website at www.powerwave.com as soon as reasonably practicable after filing such material with the SEC.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**POWERWAVE TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)**

	<u>September 28, 2008</u>	<u>December 30, 2007</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 57,671	\$ 58,151
Restricted cash	3,634	7,366
Accounts receivable, net of allowance for sales returns and doubtful accounts of \$10,654 and \$11,897, respectively	256,774	237,657
Inventories	88,772	94,310
Prepaid expenses and other current assets	28,149	36,654
Deferred income taxes	2,831	2,831
Total current assets	<u>437,831</u>	<u>436,969</u>
Property, plant and equipment, net	102,514	113,027
Intangible assets, net	39,993	64,092
Asset held for sale	3,806	3,900
Goodwill	346,215	353,189
Other assets	7,984	9,917
TOTAL ASSETS	<u><u>\$ 938,343</u></u>	<u><u>\$ 981,094</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 166,598	\$ 128,088
Accrued payroll and related expenses	14,923	14,635
Accrued income taxes	5,453	26,211
Accrued restructuring costs	5,365	3,552
Accrued expenses and other current liabilities	40,258	58,706
Current portion of long-term debt	—	13,617
Total current liabilities	<u>232,597</u>	<u>244,809</u>
Long-term debt	350,000	350,000
Other liabilities	1,875	3,801
Total liabilities	<u>584,472</u>	<u>598,610</u>
Commitments and contingencies		
Shareholders' equity		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized and no shares issued or outstanding	—	—
Common stock, \$0.0001 par value, 250,000,000 shares authorized, 131,640,924 and 131,016,557 shares issued and outstanding, respectively	764,174	759,888
Accumulated other comprehensive income	61,833	68,460
Accumulated deficit	(472,136)	(445,864)
Total shareholders' equity	<u>353,871</u>	<u>382,484</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 938,343</u></u>	<u><u>\$ 981,094</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

POWERWAVE TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 28, 2008</u>	<u>September 30, 2007</u>	<u>September 28, 2008</u>	<u>September 30, 2007</u>
Net sales	\$ 237,960	\$ 200,673	\$ 709,903	\$ 549,946
Cost of sales:				
Cost of goods	179,633	160,499	537,486	447,306
Intangible asset amortization	4,094	4,910	16,459	14,716
Restructuring and impairment charges	3,368	7,998	13,903	24,656
Total cost of sales	<u>187,095</u>	<u>173,407</u>	<u>567,848</u>	<u>486,678</u>
Gross profit	50,865	27,266	142,055	63,268
Operating expenses:				
Sales and marketing	10,301	13,090	36,064	40,351
Research and development	18,447	17,896	58,907	65,965
General and administrative	17,992	18,282	49,062	56,298
Intangible asset amortization	2,589	2,656	7,846	8,313
Restructuring and impairment charges	2,755	224	3,834	5,783
Total operating expenses	<u>52,084</u>	<u>52,148</u>	<u>155,713</u>	<u>176,710</u>
Operating loss	(1,219)	(24,882)	(13,658)	(113,442)
Other income (expense), net	(42)	(2,279)	(10,099)	(3,484)
Loss before income taxes	(1,261)	(27,161)	(23,757)	(116,926)
Income tax provision	540	1,457	2,515	3,344
Net loss	<u>\$ (1,801)</u>	<u>\$ (28,618)</u>	<u>\$ (26,272)</u>	<u>\$ (120,270)</u>
Loss per share, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.22)</u>	<u>\$ (0.20)</u>	<u>\$ (0.92)</u>
Shares used in the computation of loss per share:				
Basic and diluted	131,142	130,541	131,023	130,259

The accompanying notes are an integral part of these condensed consolidated financial statements.

POWERWAVE TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS
(Unaudited)
(In thousands)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 28, 2008</u>	<u>September 30, 2007</u>	<u>September 28, 2008</u>	<u>September 30, 2007</u>
Net loss	\$ (1,801)	\$ (28,618)	\$ (26,272)	\$ (120,270)
Other comprehensive income:				
Foreign currency translation adjustments	(34,542)	21,428	(6,627)	26,050
Comprehensive loss	<u>\$ (36,343)</u>	<u>\$ (7,190)</u>	<u>\$ (32,899)</u>	<u>\$ (94,220)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

POWERWAVE TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	<u>Nine Months Ended</u>	
	<u>September 28,</u> <u>2008</u>	<u>September 30,</u> <u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (26,272)	\$ (120,270)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	41,414	42,564
Non-cash restructuring and impairment charges	17,737	30,439
Provision for sales returns and doubtful accounts	1,457	3,075
Provision for excess and obsolete inventories	3,237	6,989
Compensation costs related to stock-based awards	3,722	3,601
Gain on disposal of property, plant and equipment	(588)	(241)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(20,122)	4,357
Inventories	(5,133)	19,722
Prepaid expenses and other current assets	8,314	19,158
Accounts payable	32,253	9,208
Accrued expenses and other current liabilities	(39,220)	(27,314)
Other non-current assets	764	(1,722)
Other non-current liabilities	148	(825)
Net cash provided by (used in) operating activities	<u>17,711</u>	<u>(11,259)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(7,501)	(9,709)
Restricted cash	3,732	(968)
Proceeds from the sale of property, plant and equipment	4,305	13,100
Acquisitions, net of cash acquired	<u>(4,105)</u>	<u>6,783</u>
Net cash (used in) provided by investing activities	(3,569)	9,206
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	—	150,000
Retirement of short-term obligations	(13,630)	—
Debt issuance costs	—	(4,592)
Proceeds from stock-based compensation arrangements	1,086	3,492
Repurchase of common stock	<u>(521)</u>	<u>(129)</u>
Net cash (used in) provided by financing activities	(13,065)	148,771
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	<u>(1,557)</u>	<u>2,168</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(480)	148,886
CASH AND CASH EQUIVALENTS, beginning of period	<u>58,151</u>	<u>41,544</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 57,671</u>	<u>\$ 190,430</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for:		
Interest expense	\$ 5,417	\$ 3,500
Income taxes	\$ 18,633	\$ 6,116
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:		
Unpaid purchases of property and equipment excluded from cash flows from operating activities and investing activities	\$ 1,926	\$ 349
Recognition of uncertain income tax positions (see Note 8)	\$ —	\$ 1,337
Unpaid contingent consideration from a prior acquisition	\$ —	\$ 4,105

The accompanying notes are an integral part of these consolidated financial statements.

POWERWAVE TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Tabular amounts in thousands, except per share data)

Note 1. Nature of Operations

Powerwave Technologies, Inc (the “Company”) is a global supplier of end-to-end wireless solutions for wireless communications networks. The Company designs, manufactures and markets antennas, boosters, combiners, filters, radio frequency power amplifiers, repeaters, tower-mounted amplifiers and advanced coverage solutions for use in cellular, PCS, 3G and WiMAX networks throughout the world.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include certain footnotes and financial presentations normally required under accounting principles generally accepted in the United States of America for complete financial statements. The interim financial information is unaudited, but reflects all normal adjustments and accruals, which are, in the opinion of management, considered necessary to provide a fair presentation for the interim periods presented. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year ending December 28, 2008 (“fiscal 2008”). The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2007.

Derivatives

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. The Company does not engage in currency speculation; however, the Company uses forward exchange contracts to mitigate the risks associated with certain foreign currency transactions entered into in the ordinary course of business, primarily foreign currency denominated receivables and payables. Such contracts do not qualify for hedge accounting and, accordingly, changes in fair values are reported in the statements of operations. The forward exchange contracts generally require the Company to exchange U.S. dollars for foreign currencies at maturity, at rates agreed to at the inception of the contracts. If the counterparties to the exchange contracts (AA rated banks) do not fulfill their obligations to deliver the contracted currencies, the Company could be at risk for any currency-related fluctuations. Transaction gains and losses are included in *Interest and Other Income (Expense), net* in the accompanying consolidated statements of operations.

There were no forward foreign exchange contracts outstanding as of September 28, 2008 or December 30, 2007. The Company entered its first forward exchange contract in October 2008.

Newly Adopted Accounting Pronouncements

In October 2008, the FASB issued FASB Staff Position (FSP) No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP No. 157-3). FSP No. 157-3 clarifies the application of the provisions of SFAS No. 157 in an inactive market and how an entity would determine fair value in an inactive market. FSP No. 157-3 is effective immediately and applies to the September 28, 2008 financial statements. The adoption did not have a material impact on the consolidated financial statements.

In June 2007, the Financial Accounting Standards Board (FASB) ratified Emerging Issues Task Force (EITF) No. 07-3 (EITF 07-3), *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*. EITF 07-3 requires non-refundable advance payments for goods and services to be used in future research and development activities to be recorded as an asset and the payments to be expensed when the research and development activities are performed. EITF 07-3 is effective for fiscal years beginning after December 15, 2007. The adoption of EITF 07-3 did not have a material impact on the Company’s results of operations and financial condition.

POWERWAVE TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Tabular amounts in thousands, except per share data)

In June 2007, the FASB ratified EITF 06-11, *Accounting for the Income Tax Benefits of Dividends on Share-Based Payment Awards* (EITF 06-11). EITF 06-11 provides that tax benefits associated with dividends on share-based payment awards be recorded as a component of additional paid-in capital. EITF 06-11 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007. The adoption of EITF 06-11 did not have a material impact on the Company's results of operations and financial condition.

In February 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Company adopted SFAS No. 159 on December 31, 2007. The adoption of SFAS No. 159 did not have a material impact on the Company's results of operations and financial condition.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement* (SFAS No. 157). SFAS No. 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and required additional disclosures about fair value measurements. SFAS No. 157 applies only to fair value measurements that are already required or permitted by other accounting standards. The Company adopted SFAS No. 157 on December 31, 2007. The adoption of SFAS No. 157 did not have a material impact on the Company's results of operations and financial condition.

New Accounting Pronouncements

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets*, (FSP No. 142-3). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. FSP No. 142-3 is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of FSP No. 142-3 to have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)) and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of ARB No. 51 (SFAS No. 160). SFAS No. 141(R) will change how business acquisitions are accounted for and SFAS No. 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS No. 141(R) and SFAS No. 160 are effective for fiscal years beginning on or after December 15, 2008 (January 1, 2009 for the Company). The adoption of SFAS No. 141(R) and SFAS No. 160 are not expected to have a material impact on the Company's consolidated financial statements.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with SFAS No. 123 (Revised 2004), *Share-Based Payment*, (SFAS No. 123R). Under the fair value recognition provision of SFAS No. 123R, stock-based compensation cost is estimated at the grant date based on the fair value of the award. The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option pricing model. The fair value of restricted stock awards is based on the closing market price of the Company's common stock on the date of grant. The fair value of options and awards, adjusted for estimated forfeitures, is amortized on a straight-line basis over the requisite service period of the award, which is generally the vesting period.

During the three and nine months ended September 28, 2008, the Company recognized total compensation expense of \$1.1 million and \$3.7 million respectively.

POWERWAVE TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Tabular amounts in thousands, except per share data)

Stock-based compensation expense was recognized as follows in the consolidated statement of operations (in thousands):

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Cost of sales	\$ 260	\$ 238	\$ 753	\$ 472
Sales and marketing expenses	99	140	317	384
Research and development expenses	286	196	854	506
General and administrative expenses	462	815	1,797	2,239
Increase to operating loss before income taxes	1,107	1,389	3,721	3,601
Income tax effect using the current year effective tax rate	117	40	394	103
Increase (decrease) to net loss	<u>\$ 990</u>	<u>\$ 1,349</u>	<u>\$ 3,327</u>	<u>\$ 3,498</u>
Increase (decrease) to net loss per share:				
Basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.03</u>

As of September 28, 2008, unrecognized compensation expense related to the unvested portion of the Company's stock-based awards and employee stock purchase plan was approximately \$5.6 million (net of estimated forfeitures of \$2.0 million) which is expected to be recognized over a weighted-average period of 1.6 years.

The Black-Scholes-Merton option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation methods require the input of highly subjective assumptions including the weighted average risk-free interest rate, the expected life, and the expected stock price volatility. The weighted average risk-free interest rate was determined based upon actual U.S. treasury rates over a one to ten year horizon, based upon the actual life of options granted. The Company grants options with either a five year or ten year life. The expected life is based on the Company's actual historical option exercise experience. For the employee stock purchase plan, the actual life of 6 months is utilized in this calculation. The expected life was determined based upon actual option grant lives over a 10 year period. The Company has utilized various market sources to calculate the implied volatility factor utilized in the Black-Scholes-Merton option valuation model. These included the implied volatility utilized in the pricing of options on the Company's common stock as well as the implied volatility utilized in determining market prices of the Company's outstanding convertible notes. Using the Black-Scholes-Merton option valuation model, the estimated weighted average fair value of options granted during the third quarter of fiscal years 2008 and 2007 were \$2.25 per share and \$2.70 per share, respectively.

The fair value of options granted under the Company's stock incentive plans during the first three and nine months of fiscal 2008 and 2007 were estimated on the date of grant using the Black-Scholes-Merton option-pricing model utilizing the multiple option approach and the following weighted-average assumptions:

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Weighted average risk-free interest rate	2.8%	4.1%	2.8%	4.3%
Expected life (in years)	4.6	4.5	4.6	4.5
Expected stock volatility	53%	43%	55%	44%
Dividend yield	None	None	None	None

POWERWAVE TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Tabular amounts in thousands, except per share data)

Note 3. Inventories

Inventories consist of the following:

	<u>September 28, 2008</u>	<u>December 30, 2007</u>
Parts and components	\$ 31,673	\$ 51,367
Work-in-process	4,541	5,565
Finished goods	52,558	37,378
Total inventories	<u>\$ 88,772</u>	<u>\$ 94,310</u>

Inventories are net of an allowance for excess and obsolete inventory of approximately \$48.9 million and \$47.3 million as of September 28, 2008 and December 30, 2007, respectively.

Note 4. Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 28, 2008 is as follows:

Balance, December 30, 2007	\$ 353,189
Effect of exchange rates	(5,760)
Swedish income tax liability adjustment	(1,214)
Balance, September 28, 2008	<u>\$ 346,215</u>

The net decrease in goodwill of approximately \$7.0 million in 2008 is due to foreign currency fluctuations, primarily the Swedish Krona, as well as the reduction of a Swedish income tax liability recorded in the LGP Allgon acquisition.

Subsequent to the end of the third quarter of 2008, the global economic crisis has impacted the Company's common stock price, which significantly reduced the market value of the Company's common stock to a level below the book value of equity. If the price continues to be impacted, some or all of the goodwill will be impaired.

Note 5. Asset Held for Sale

As part of the 2008 restructuring plan to further consolidate operations and reduce manufacturing and operating expenses, the Company vacated one of its three buildings in Kempele, Finland, and in April 2008, made this building available for sale. The carrying value of the building has been separately presented in the accompanying balance sheet in the caption "Asset held for sale," and this asset is no longer being depreciated.

As part of the restructuring plan related to the integration of REMEC Inc.'s Wireless Systems Business, in 2006 the Company vacated its building in Barreal de Heredia, Costa Rica and made it available for sale. In April 2008, the Company completed the sale of the building. The cash proceeds were approximately \$3.9 million.

Note 6. Other Income (Expense), Net

Other income (expense), net, includes gains and losses on foreign currency transactions, interest income and interest expense associated with the Company's subordinated convertible notes and fees on its revolving credit agreement. The components of other income (expense), net, are as follows:

	<u>Three Months Ended</u>		<u>Nine months Ended</u>	
	<u>September 28, 2008</u>	<u>September 30, 2007</u>	<u>September 28, 2008</u>	<u>September 30, 2007</u>
Interest income	\$ 191	\$ 455	\$ 430	\$ 931
Interest expense	(2,983)	(2,349)	(8,372)	(6,823)
Foreign currency gain (loss), net	2,582	(1,843)	(3,227)	(99)
Other income, net	168	1,458	1,070	2,507
Total	<u>\$ (42)</u>	<u>\$ (2,279)</u>	<u>\$ (10,099)</u>	<u>\$ (3,484)</u>

POWERWAVE TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Tabular amounts in thousands, except per share data)

Note 7. Restructuring and Impairment Charges

2008 Restructuring Plan

In June 2008, the Company formulated and began to implement a plan to further consolidate operations and reduce manufacturing and operating expenses. As part of this plan, the Company closed its Salisbury, Maryland manufacturing facility and transferred most of the production to the Company's other manufacturing operations. In addition, the Company closed its design and development center in Bristol, UK and plans to further reduce its manufacturing operations in Kempele, Finland. These actions are expected to be complete by the end of 2008. Additional charges of approximately \$3 million to \$5 million are expected in the fourth quarter of 2008 and the first quarter of 2009 for severance and facility charges, recognized in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, (SFAS No. 146). The Company is still evaluating further actions and expects to finalize these plans by the fourth quarter of 2008.

	<u>Workforce Reductions</u>	<u>Facility Closures & Equipment Write-downs</u>	<u>Total</u>
Balance at December 30, 2007	\$ —	\$ —	\$ —
Amounts accrued	3,329	1,849	5,178
Amounts paid/incurred	(1,913)	(1,024)	(2,937)
Effects of exchange rates	—	—	—
Balance at September 28, 2008	<u>\$ 1,416</u>	<u>\$ 825</u>	<u>\$ 2,241</u>

2007 Restructuring Plan

In the second quarter of 2007, the Company formulated and began to implement a plan to further consolidate operations and reduce operating costs. As part of this plan, the Company closed its design and development centers in El Dorado Hills, California and Toronto, Canada, and discontinued its design and development center in Shipley, UK. Also as part of this plan, the Company sold its manufacturing operations located in Hungary to Sanmina SCI, a third party contract manufacturing supplier, and entered into a manufacturing services agreement with Sanmina SCI. The transaction included inventories and fixed assets and included a sublease of the existing facility, along with the assumption of certain liabilities, including all transferred employees. The Company finalized this plan in the fourth quarter of 2007 (hereinafter the "2007 Restructuring Plan").

A summary of the activity affecting the Company's accrued restructuring liability related to the 2007 Restructuring Plan for the nine months ended September 28, 2008 is as follows:

	<u>Workforce Reductions</u>	<u>Facility Closures & Equipment Write-downs</u>	<u>Total</u>
Balance at December 30, 2007	\$ —	\$ 522	\$ 522
Amounts accrued	60	1,338	1,398
Amounts paid/incurred	(60)	(913)	(973)
Effects of exchange rates	—	(4)	(4)
Balance at September 28, 2008	<u>\$ —</u>	<u>\$ 943</u>	<u>\$ 943</u>

The costs associated with these exit activities were recorded in accordance with the accounting guidance in SFAS No. 146. The restructuring and integration plan is subject to continued future refinement as additional information becomes available. The Company expects that the facility closure amounts will be paid out over the remaining lease term, which extends through June 2009.

2006 Plan for Consolidation of Operations

In the fourth quarter of 2006, and in connection with the Filtronic Wireless acquisition, the Company formulated and began to implement a plan to restructure its global manufacturing operations, including the consolidation of its manufacturing facilities in Wuxi and Shanghai, China, into the manufacturing facility located in Suzhou, China. The plan includes a reduction of workforce, impairment and disposal of inventory and equipment utilized in discontinued product lines, and facility closure costs. In addition, the Company also ceased the production of certain product lines manufactured at these facilities to eliminate duplicative product lines.

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A summary of the activity affecting the Company's accrued restructuring liability related to the 2006 Plan for Consolidation of Operations at September 28, 2008, and December 30, 2007 is as follows:

	<u>Workforce Reductions</u>	<u>Facility Closures & Equipment Write-downs</u>	<u>Total</u>
Balance at December 30, 2007	\$ 271	\$ 616	\$ 887
Amounts accrued	(12)	999	987
Amounts paid/incurred	(208)	(1,618)	(1,826)
Effects of exchange rates	(8)	21	13
Balance at September 28, 2008	<u>\$ 43</u>	<u>\$ 18</u>	<u>\$ 61</u>

The costs associated with these exit activities were recorded in accordance with the accounting guidance in SFAS No. 146. The Company's restructuring and integration plans are subject to continued future refinement as additional information becomes available. The Company expects that all of the remaining payments on this plan will be made in the fourth quarter of 2008.

Integration of LGP Allgon and REMEC Inc.'s Wireless Systems Business

The Company recorded liabilities in connection with the acquisitions for estimated restructuring and integration costs related to the consolidation of REMEC Inc.'s Wireless Systems Business and LGP Allgon's operations, including severance and future lease obligations on excess facilities. These estimated costs were included in the allocation of the purchase consideration and resulted in additional goodwill pursuant to Emerging Issues Task Force Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (or "95-3"). The implementation of the restructuring and integration plan is substantially complete.

A summary of the activity affecting the Company's accrued restructuring liability related to the integration of the REMEC Wireless business and LGP Allgon for fiscal year ended December 30, 2007, and the third quarter ended September 28, 2008 is as follows:

	<u>Facility Closures & Equipment Write-downs</u>
Balance at December 30, 2007	\$ 2,143
Amounts accrued	118
Amounts paid/incurred, net	(155)
Effect of exchange rates	14
Balance at September 28, 2008	<u>\$ 2,120</u>

All workforce reduction payments have been made, and the Company expects that the facility closure amounts will be paid out over the remaining lease term which extends through January 2011.

Restructuring and Impairment Charges

In the first nine months of 2008, the Company recorded charges of approximately \$8.6 million for the impairment of inventory at closed or consolidated facilities that either has been or will be disposed of and is not expected to generate future revenue. Included in these charges is \$4.7 million and \$3.3 million, respectively, of inventory charges related to the closure of the Company's facilities in China and Salisbury, Maryland. The Company also incurred charges of \$0.9 million for professional fees related to the Company's restructuring plans. In addition, the Company recorded lease cancellation charges of \$2.0 million associated with the closure of the Company's facilities in Bristol, UK and Hungary, charges of \$2.2 million related to impairment charges and fees associated with the closure of the Company's entities in Salisbury, Maryland, Bristol, UK, Costa Rica and Hungary, and incurred certain vendor cancellation charges of \$0.6 million related to closed facilities in China. Also in the first nine months of 2008, the Company incurred severance costs of \$3.4 million which related to its restructuring plans. The aggregate of all such charges was \$17.7 million of which \$13.9 million was included in cost of sales and \$3.8 million was included in operating expenses.

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In the first nine months of 2007, the Company recorded charges of approximately \$4.2 million for the impairment of inventory that was not expected to generate future revenue due primarily to the consolidation of its facilities in China. The Company recorded a charge of \$9.7 million related to the outstanding revenue commitment associated with the Philippines manufacturing facility that the Company sold in 2006, as well as certain other vendor cancellation charges for purchase order commitments on closed facilities. The Company also recognized an impairment charge of \$1.4 million on the land at its Philippines manufacturing facility that was retained by the Company at the time of the sale. The Company recorded an impairment charge of \$7.6 million primarily related to manufacturing equipment located in the Company's plants to be closed in both China and Costa Rica, and recorded an impairment charge of \$1.5 million related to its building in Costa Rica that was held for sale, in order to write it down to the expected selling price. In addition, the Company realized a loss of \$1.0 million on the sale of its remaining facility in Sweden in the second quarter of 2007. Also in the first nine months of 2007, the Company incurred severance costs of \$4.0 million and other facility closure charges of \$2.0 million, both related to its restructuring plans. The aggregate of such charges was \$30.4 million of which \$24.6 million was included in cost of sales and \$5.8 million was included in operating expenses.

Note 8. Income Taxes

The Company provides for income taxes in interim periods based on the estimated effective income tax rate for the complete fiscal year. The income tax provision is computed on the pretax income of the consolidated entities located within each taxing jurisdiction based on current tax law. Deferred tax assets and liabilities are determined based on the future tax consequences associated with temporary differences between income and expenses reported for financial accounting and tax reporting purposes. In accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*, a valuation allowance for deferred tax assets is recorded to the extent that the Company cannot determine that the ultimate realization of the net deferred tax assets is more likely than not.

Realization of deferred tax assets is principally dependent upon the achievement of future taxable income, the estimation of which requires significant management judgment. The Company's judgments regarding future profitability may change due to many factors, including future market conditions and the Company's ability to successfully execute its business plans and/or tax planning strategies. These changes, if any, may require material adjustments to these deferred tax asset balances. Due to uncertainties surrounding the realization of the Company's cumulative federal and state net operating losses and other factors, the Company has recorded a valuation allowance against a portion of its gross deferred tax assets. For the foreseeable future, the Federal tax provision related to future earnings will be offset substantially by a reduction in the valuation allowance. Accordingly, current and future tax expense will consist primarily of certain required state income taxes and taxes in certain foreign jurisdictions.

In addition to unrecognized tax benefits, the Company has recorded valuation allowances against its net tax benefits in certain jurisdictions arising from net operating losses. On a quarterly basis, the Company reassesses the need for such valuation allowances based on operating results and its assessment of the likelihood of future taxable income and developments in the relevant tax jurisdictions. The Company continues to maintain a valuation allowance against its net deferred tax assets in the U.S., Sweden, Finland and UK jurisdictions as of September 28, 2008, due to uncertainties that such net deferred tax assets will be realized.

Acquired tax liabilities related to prior tax returns of acquired entities at the date of purchase are recognized based on the technical merits of the tax position and the Company's estimate of the ultimate settlement that may be accepted by the tax authorities. The Company continually evaluates these tax-related matters. At the date of any material change in the Company's estimate of items relating to an acquired entity's prior tax returns, and at the date that the items are settled with the tax authorities, any liabilities previously recognized are adjusted to increase or decrease the remaining balance of goodwill attributable to that acquisition.

As of September 28, 2008, the liability for income taxes associated with uncertain tax positions was \$4.3 million, including accrued penalties, interest, and foreign currency fluctuations of \$0.3 million. Of this amount, \$4.0 million, if recognized, would favorably affect the Company's effective tax rate. Changes during the period to the liability and potential interest expense upon settlement were immaterial.

As a result of ongoing tax audits, the total liability for unrecognized tax benefits may change within the next twelve months due to either settlement of audits or expiration of statutes of limitations. At September 28, 2008, the Company has concluded all United States federal income tax matters for years through 2005. The Company was contacted by the IRS on October 2, 2008 to audit the 2006 federal income tax return. All material state and local, and foreign income tax matters have been concluded for years through 2005.

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Note 9. Commitments and Contingencies

In the first quarter of 2007, four purported shareholder class action complaints were filed in the United States District Court for the Central District of California against the Company, its President and Chief Executive Officer, its former Executive Chairman of the Board of Directors and its Chief Financial Officer. The complaints were *Jerry Crafton v. Powerwave Technologies, Inc., et. al.*, *Kenneth Kwan v. Powerwave Technologies, Inc., et. al.*, *Achille Tedesco v. Powerwave Technologies, Inc., et. al.* and *Farokh Etemadieh v. Powerwave Technologies, Inc. et. al.* and were brought under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. In June 2007, the four cases were consolidated into one action before the Honorable Judge Philip Gutierrez, and a lead plaintiff was appointed. In October 2007, the lead plaintiff filed an amended complaint asserting the same causes of action and purporting to state claims on behalf of all persons who purchased Powerwave securities between May 2, 2005 and November 2, 2006. The essence of the allegations in the amended complaint were that the defendants made misleading statements or omissions concerning the Company's projected and actual sales revenues, the integration of certain acquisitions and the sufficiency of the Company's internal controls. In December 2007, the defendants filed a motion to dismiss the amended complaint. On April 17, 2008, the Court granted defendants' motion to dismiss plaintiffs' claims in connection with the Company's projected sales revenues, but denied defendants' motion to dismiss plaintiffs' other claims. On August 29, 2008, the defendants answered the amended complaint. Discovery has begun, and trial of the action is scheduled to commence on January 19, 2010. The Company believes that the purported consolidated shareholder class action is without merit and intends to defend it vigorously.

In March 2007, one additional lawsuit that relates to the pending shareholder class action was filed. The lawsuit, *Cucci v. Edwards, et al.*, filed in the Superior Court of California, is a shareholder derivative action, purported to be brought by an individual shareholder on behalf of Powerwave, against current and former directors of Powerwave. Powerwave is also named as a nominal defendant. The allegations of the derivative complaint closely resemble those in the class action and pertain to the time period of May 2, 2005 through October 9, 2006. Based on those allegations, the derivative complaint asserts various claims for breach of fiduciary duty, waste of corporate assets, mismanagement, and insider trading under state law. The derivative complaint was removed to federal court, and is also pending before Judge Gutierrez. The derivative action is currently stayed pursuant to a stipulation of the parties that has been entered by the Court. Powerwave disputes the allegations raised in the derivative action and plans to pursue a vigorous defense of this matter.

Note 10. Contractual Guarantees and Indemnities

Warranty Reserves

The Company establishes reserves for future product warranty costs that are expected to be incurred pursuant to specific warranty provisions with its customers. The Company also has contractual requirements with various customers that could require the Company to incur costs to repair an epidemic defect with respect to its products outside of the normal warranty period if such defect were to occur. The Company's warranty reserves are generally established at the time of sale and updated throughout the warranty period based upon numerous factors including historical warranty return rates and expenses over various warranty periods. The Company also accrues additional warranty liabilities for significant and unusual product performance issues at the time such issues are identified and the associated warranty related costs can be reasonably estimated. A summary of the activity that affected the Company's accrued warranty costs for the nine months ended September 28, 2008 and September 30, 2007 are as follows:

<u>Description</u>	<u>Nine Months Ended</u>	
	<u>September 28, 2008</u>	<u>September 30, 2007</u>
Warranty reserve beginning balance	\$ 26,975	\$ 40,273
Reductions for warranty costs incurred	(12,231)	(16,788)
Warranty accrual related to current period sales	5,445	7,603
Settlement of previous warranty claims	(2,858)	—
Change in estimate related to previous warranty accruals	(2,360)	(1,935)
Effect of exchange rates	(130)	334
Warranty reserve ending balance	<u>\$ 14,841</u>	<u>\$ 29,487</u>

During the normal course of its business, the Company makes certain contractual guarantees and indemnities pursuant to which the Company may be required to make future payments under specific circumstances. The Company has not recorded any liability for these contractual guarantees and indemnities in the accompanying consolidated financial statements. A description of significant contractual guarantees and indemnities existing as of September 28, 2008 is included below:

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Intellectual Property Indemnities

The Company indemnifies certain customers and its contract manufacturers against liability arising from third-party claims of intellectual property rights infringement related to the Company's products. These indemnities appear in development and supply agreements with the Company's customers as well as manufacturing service agreements with the Company's contract manufacturers, are not limited in amount or duration and generally survive the expiration of the contract. Given that the amount of any potential liabilities related to such indemnities cannot be determined until an infringement claim has been made, the Company is unable to determine the maximum amount of losses that it could incur related to such indemnifications. Historically, any amounts payable pursuant to such intellectual property indemnifications have not had a material effect on the Company's business, financial condition or results of operations.

Director and Officer Indemnities and Contractual Guarantees

The Company has entered into indemnification agreements with its directors and executive officers which require the Company to indemnify such individuals to the fullest extent permitted by Delaware law. The Company's indemnification obligations under such agreements are not limited in amount or duration. Certain costs incurred in connection with such indemnifications may be recovered under certain circumstances under various insurance policies. Given that the amount of any potential liabilities related to such indemnities cannot be determined until a lawsuit has been filed against a director or executive officer, the Company is unable to determine the maximum amount of losses that it could incur relating to such indemnifications. Historically, any amounts payable pursuant to such director and officer indemnifications have not had a material negative effect on the Company's business, financial condition or results of operations.

The Company has also entered into severance agreements and change in control agreements with certain of its executives. These agreements provide for the payment of specific compensation benefits to such executives upon the termination of their employment with the Company.

General Contractual Indemnities/Products Liability

During the normal course of business, the Company enters into contracts with customers where it has agreed to indemnify the other party for personal injury or property damage caused by the Company's products. The Company's indemnification obligations under such agreements are not limited in duration and are generally not limited in amount. Historically, any amounts payable pursuant to such contractual indemnities have not had a material negative effect on the Company's business, financial condition or results of operations. The Company maintains product liability insurance as well as errors and omissions insurance which may provide a source of recovery to the Company in the event of an indemnification claim.

Other Guarantees and Indemnities

The Company occasionally issues guarantees for certain contingent liabilities under various contractual arrangements, including customer contracts, self-insured retentions under certain insurance policies, and governmental value-added tax compliance programs. These guarantees normally take the form of standby letters of credit issued by the Company's banks, which may be secured by cash deposits or pledges, or performance bonds issued by an insurance company. Historically, any amounts payable pursuant to such guarantees have not had a material negative effect on the Company's business, financial condition or results of operations. In addition, the Company, as part of the agreements to register the convertible notes it issued in September 2007, November 2004, and July 2003, agreed to indemnify the selling security holders against certain liabilities, including liabilities under the Securities Act of 1933. The Company's indemnification obligations under such agreements are not limited in duration and generally not limited in amount.

Note 11. Loss Per Share

In accordance with SFAS No. 128, *Earnings Per Share*, basic earnings (loss) per share is based upon the weighted average number of common shares outstanding. Diluted earnings (loss) per share is based upon the weighted average number of common and potential common shares for each period presented and income available to common stockholders is adjusted to reflect any changes in income or loss that would result from the issuance of the dilutive common shares. The Company's potential common shares include stock options under the treasury stock method and convertible subordinated debt under the if-converted method. Potential common shares of 35,695,340 and 36,504,974 related to the Company's stock option programs and convertible debt have been excluded from diluted weighted average common shares for the three and nine months ended September 28, 2008 as the effect would be anti-dilutive. In addition, potential common shares of 32,188,723 and 31,256,793 related to the Company's stock option programs and convertible debt have been excluded from diluted weighted average common shares for the three and nine months ended September 30, 2007.

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The following details the calculation of basic and diluted loss per share:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 28, 2008</u>	<u>September 30, 2007</u>	<u>September 28, 2008</u>	<u>September 30, 2007</u>
Basic:				
Loss	\$ (1,801)	\$ (28,618)	\$ (26,272)	\$ (120,270)
Weighted average common shares	131,142	130,541	131,023	130,259
Basic loss per share	\$ (0.01)	\$ (0.22)	\$ (0.20)	\$ (0.92)
Diluted:				
Loss	\$ (1,801)	\$ (28,618)	\$ (26,272)	\$ (120,270)
Interest expense of convertible debt, net of tax	—	—	—	—
Loss, as adjusted	<u>\$ (1,801)</u>	<u>\$ (28,618)</u>	<u>\$ (26,272)</u>	<u>\$ (120,270)</u>
Weighted average common shares	131,142	130,541	131,023	130,259
Potential common shares	—	—	—	—
Weighted average common shares, as adjusted	<u>131,142</u>	<u>130,541</u>	<u>131,023</u>	<u>130,259</u>
Diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.22)</u>	<u>\$ (0.20)</u>	<u>\$ (0.92)</u>

Note 12. Customer Concentrations

The Company's product sales have historically been concentrated in a small number of customers. For the nine months ended September 28, 2008 and September 30, 2007, sales to customers that accounted for 10% or more of revenues totaled \$330.1 million and \$283.3 million, respectively. Nokia Siemens accounted for approximately 30% and Alcatel-Lucent accounted for approximately 17% of total net sales for the nine months ended September 28, 2008. For the nine months ended September 30, 2007, sales to Nokia and Siemens, who combined their wireless business effective April 1, 2007, accounted for approximately 36% of revenues, and sales to Alcatel-Lucent accounted for approximately 16% of revenues.

As of September 28, 2008, approximately 47% of total accounts receivable related to two customers that each accounted for 10% or more of the Company's total revenue during the first nine months of 2008. Nokia Siemens and Alcatel-Lucent accounted for approximately 29% and 18%, respectively, of the Company's total accounts receivable. The inability to collect outstanding receivables from these customers or any other significant customers, the delay in collecting outstanding receivables within the contractual payment terms, or the loss of, or reduction in, sales to any of these customers could have a material adverse effect on the Company's business, financial condition and results of operations.

Note 13. Supplier Concentrations

Certain of the Company's products, as well as components utilized in such products, are available in the short-term only from a single or a limited number of sources. In addition, in order to take advantage of volume pricing discounts, the Company purchases certain customized components from single-source suppliers as well as finished products from single-source contract manufacturers. The inability to obtain single-source components or finished products in the amounts needed on a timely basis or at commercially reasonable prices could result in delays in product introductions, interruption in product shipments or increases in product costs, which could have a material adverse effect on the Company's business, financial condition and results of operations until alternative sources could be developed at a reasonable cost.

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Note 14. Segments and Geographic Data

The Company operates in one reportable business segment: “Wireless Communications.” The Company’s revenues are derived from the sale of wireless communications network products and coverage solutions, including antennas, boosters, combiners, filters, radio frequency power amplifiers, repeaters, tower-mounted amplifiers and advanced coverage solutions for use in cellular, PCS, 3G and WiMAX wireless communications networks throughout the world.

The Company manufactures multiple product categories at its manufacturing locations and produces certain products at more than one location. With regards to sales, the Company sells its products through two major sales channels. The largest channel is the original equipment manufacturers channel, which consists of large global companies such as Alcatel-Lucent, Ericsson, Huawei, Motorola, Nokia Siemens, Nortel and Samsung. The other major channel is direct to wireless network operators, such as AT&T, Bouygues, Orange, Sprint, Verizon Wireless and Vodafone. A majority of the Company’s products are sold to both sales channels. The Company maintains global relationships with most of the Company’s customers. The Company’s original equipment manufacturer customers normally purchase on a global basis and the sales to these customers, while recognized in various reporting regions, are managed on a global basis. For network operator customers, where they have a global presence, the Company typically maintains a global purchasing agreement. Individual sales are made on a regional basis.

The Company measures its performance by monitoring its net sales by product and consolidated gross margins, with a short-term goal of maintaining a positive operating cash flow while striving to achieve long-term operating profits.

Note 15. Financing Arrangements and Long-Term Debt

On May 15, 2008, the Company and certain of its subsidiaries, amended its Revolving Trade Receivables Purchase Agreement with Deutsche Bank AG, New York Branch, as Administrative Agent (the “Receivables Purchase Agreement”) and extended the Facility Termination Date to May 15, 2009. The Receivables Purchase Agreement provides for a receivables sales facility pursuant to which certain trade receivables are sold to a group of banks, which group initially consisted of Deutsche Bank AG, New York Branch. The outstanding amount of trade receivables sold under the receivables facility may not exceed \$65.0 million at any given time. Pursuant to the receivables sales facility, the Company and certain subsidiaries can sell on a recourse basis, eligible trade receivables to the bank group for a purchase price equal to 90% of the face amount thereof, and the Company acts as the servicer for such receivables. Interest on Euro based borrowings is Euribor plus 0.80% and on U.S. Dollar based borrowings it is LIBOR plus 1.50%. At September 28, 2008 the Euribor rate was 4.07% and the LIBOR rate was 2.31%. The Company’s appointment as the servicer is subject to termination events that are customary for such transactions. The receivables sales facility is also subject to conditions to funding, representations and warranties, undertakings and early termination events that are customary for transactions of this nature. This trade receivables revolving credit agreement is available for working capital and general corporate purposes. At September 28, 2008, there were no balances outstanding under the Receivables Purchase Agreement.

In July 2008, we repaid in full all outstanding 1.25% Convertible Subordinated Notes due July 2008 totaling \$13.7 million, including accrued interest, pursuant to the terms of the indenture governing such notes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included under Item 1, "Financial Statements (Unaudited)." This discussion contains forward-looking statements, the realization of which may be impacted by certain important factors including, but not limited to, those discussed in "Risk Factors, in Part II, Item 1A" included herein.

Introduction and Overview

Powerwave is a global supplier of end-to-end wireless solutions for wireless communications networks. Our business consists of the design, manufacture, marketing and sale of products to improve coverage, capacity and data speed in wireless communication networks, including antennas, boosters, combiners, filters, radio frequency power amplifiers, repeaters, tower-mounted amplifiers and advanced coverage solutions. These products are utilized in major wireless networks throughout the world that support voice and data communications by use of cell phones and other wireless communication devices. We sell such products to both original equipment manufacturers, who incorporate our products into their proprietary base stations (which they then sell to wireless network operators), and directly to individual wireless network operators for deployment into their existing networks.

During the last eight years, demand for wireless communications infrastructure equipment has fluctuated dramatically. While demand for wireless infrastructure was strong during 2005, it weakened for Powerwave during 2006 and 2007 due to significant reductions at three major customers, as well as a general slowdown in overall demand within the wireless infrastructure industry. For the first nine months of 2008, demand once again increased. In the second half of October 2008, we were notified of order cancellations and delays by a few of our customers. Some of our customers are reevaluating their purchasing intentions in light of the current economic conditions and the constrained credit environment. We anticipate that the international credit crisis that began in the summer of 2008 and current economic conditions will lead to reduced capital spending and potential lower demand for our products in the near term. This will likely negatively impact our financial results in the near term. During 2008, we have undertaken several cost cutting initiatives aimed at lowering our operating expenses. These initiatives will continue and we may be required to further reduce operating expenses if there is a significant or prolonged reduction in spending by our customers.

In the past there have been significant slowdowns in capital spending by wireless network operators due to delays in the expected deployment of infrastructure equipment and financial difficulties on the part of the wireless network operators who were forced to consolidate and reduce spending to strengthen their balance sheets and improve their profitability. Economic conditions, such as the turmoil in the global equity and credit markets thus far in 2008, the global recession that is anticipated for the remainder of 2008 and into 2009, and the rise of inflationary pressures related to rising commodity prices, have also had a negative impact on capital spending by wireless network operators, and will likely have a negative impact going forward in the near term. All of these factors can have a significant negative impact on overall demand for wireless infrastructure products, and at various times, have directly reduced demand for our products and increased price competition within our industry which has in the past led to reductions in our revenues and contributed to our reported operating losses. During fiscal 2006 and 2007, we experienced a significant slowdown in demand from one of our direct network operator customers, AT&T, as well as reduced demand from several of our original equipment manufacturing customers, including Nokia Siemens and Nortel Networks, all of which combined directly reduced demand for our products and contributed to our operating losses for both fiscal 2006 and 2007. For the fourth quarter of fiscal 2007, we recorded an impairment in the value of our goodwill in the amount of \$151.7 million. This significantly increased our loss for fiscal year 2007. We may incur future impairments of our goodwill which would negatively impact our financial results.

We believe that we have maintained our overall market share within the wireless communications infrastructure equipment market during this period of changing demand for wireless communication infrastructure equipment. We continue to invest in the research and development of wireless communications network technology and the diversification of our product offerings, and we believe that we have one of our industry's leading product portfolios in terms of performance and features. We believe that our proprietary design technology is a further differentiator for our products.

Looking back over the last several years, beginning in fiscal 2004 we focused on cost savings while we expanded our market opportunities, as evidenced by our acquisition of LGP Allgon. This acquisition involved the integration of two companies based in different countries that previously operated independently, which was a complex, costly and time-consuming process. During fiscal 2005, we continued to focus on cost savings while we expanded our market opportunities, as evidenced by our acquisition of selected assets and liabilities of REMEC, Inc.'s wireless systems business (the "REMEC Wireless Acquisition.") We believe that this acquisition further strengthened our position in the global wireless infrastructure market. In October 2006, we completed the Filtronic Wireless acquisition. We believe that this strategic acquisition provided us with the leading position in transmit and receive filter products, as well as broadening our RF conditioning and base station solutions product portfolio and added significant additional technology to our intellectual property portfolio. For fiscal years 2007 and 2008, we have focused on finalizing and implementing our plans to integrate this acquisition, consolidate operations and reduce our overall cost structure. During this same time, we encountered a significant unanticipated reduction in revenues, which caused us to revise our integration and consolidation plans with a goal of further reducing our operating costs and significantly lowering our breakeven operating structure. As has been demonstrated during the last four years, these acquisitions do not provide any guarantee that our revenues will increase. As we continue through 2008, we have a number of ongoing restructuring activities which are aimed at further reducing our overall operating cost structure and positioning us to return to profitability.

We measure our success by monitoring our net sales by product and consolidated gross margins, with a short-term goal of maintaining a positive operating cash flow while striving to achieve long-term operating profits. We believe that there continues to be long-term growth opportunities within the wireless communications infrastructure marketplace, and we are focused on positioning Powerwave to benefit from these long-term opportunities.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q, which have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, we evaluate these estimates and assumptions, including those related to revenue recognition, allowances for doubtful accounts, inventory reserves, warranty obligations, restructuring reserves, asset impairment, income taxes and stock-based compensation expense. We base these estimates on our historical experience and on various other factors which we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of certain expenses that are not readily apparent from other sources. These estimates and assumptions by their nature involve risks and uncertainties, and may prove to be inaccurate. In the event that any of our estimates or assumptions are inaccurate in any material respect, it could have a material adverse effect on our reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

For a summary of our significant accounting policies and estimates, see Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of Part II of our Annual Report on Form 10-K for the year ended December 30, 2007.

Accruals for Restructuring and Impairment Charges

We recorded \$198.2 million, \$58.6 million and \$1.3 million of restructuring and impairment charges during fiscal years 2007, 2006 and 2005, respectively. Fiscal year 2007 includes an impairment charge of \$151.7 million related to the impairment of goodwill. In the first nine months of 2008, the Company recorded restructuring and impairment charges of approximately \$17.7 million.

Such charges relate to our restructuring plans to consolidate and integrate LGP Allgon and the REMEC Wireless Acquisition, our 2006 Plan for Consolidation of Operations and our 2007 Restructuring Plan. See further discussion of these plans in Note 7 of the Notes to Consolidated Financial Statements, "Restructuring and Impairment Charges."

All of these restructuring and impairment accruals related primarily to workforce reductions, consolidation of facilities, and the discontinuation of certain product lines, including the associated write-downs of inventory, manufacturing and test equipment, and certain intangible assets. Such accruals were based on estimates and assumptions made by management about matters which were uncertain at the time, including the timing and amount of sublease income that will be recovered on vacated property and the net realizable value of used equipment that is no longer needed in our continuing operations. While we used our best current estimates based on facts and circumstances available at the time to quantify these charges, different estimates could reasonably be used in the relevant periods to arrive at different accruals and/or the actual amounts incurred or recovered may be substantially different from the assumptions utilized, either of which could have a material impact on the presentation of our financial condition or results of operations for a given period. As a result, we periodically review the estimates and assumptions used and reflect the effects of those revisions in the period that they become known.

Newly Adopted Accounting Pronouncements

In October 2008, the FASB issued FASB Staff Position (FSP) No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP No. 157-3). FSP No. 157-3 clarifies the application of the provisions of SFAS No. 157 in an inactive market and how an entity would determine fair value in an inactive market. FSP No. 157-3 is effective immediately and applies to the September 28, 2008 financial statements. The adoption of FSP No. 157-3 did not have a material impact on our consolidated financial statements.

In June 2007, the Financial Accounting Standards Board (“FASB”) ratified Emerging Issues Task Force (“EITF”) No. 07-3 (EITF 07-3), *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*. EITF 07-3 requires non-refundable advance payments for goods and services to be used in future research and development activities to be recorded as an asset and the payments to be expensed when the research and development activities are performed. EITF 07-3 is effective for fiscal years beginning after December 15, 2007. The adoption of EITF 07-3 did not have a material impact on our results of operations and financial condition.

In June 2007, the FASB ratified EITF 06-11, *Accounting for the Income Tax Benefits of Dividends on Share-Based Payment Awards* (EITF 06-11). EITF 06-11 provides that tax benefits associated with dividends on share-based payment awards be recorded as a component of additional paid-in capital. EITF 06-11 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007. The adoption of EITF 06-11 did not have a material impact on our results of operations and financial condition.

In February 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. We adopted SFAS No. 159 on December 31, 2007. The adoption of SFAS No. 159 did not have a material impact on our results of operations and financial condition.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement* (SFAS No. 157). SFAS No. 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and required additional disclosures about fair value measurements. SFAS No. 157 applies only to fair value measurements that are already required or permitted by other accounting standards. We adopted SFAS No. 157 on December 31, 2007. The adoption of SFAS No. 157 did not have a material impact on our results of operations and financial condition.

New Accounting Pronouncements

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets*, (FSP No. 142-3). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. FSP No. 142-3 is effective for fiscal years beginning after December 15, 2008. We do not expect the adoption of FSP No. 142-3 to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)) and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of ARB No. 51 (SFAS No. 160). SFAS No. 141(R) will change how business acquisitions are accounted for and SFAS No. 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS No. 141(R) and SFAS No. 160 are effective for fiscal years beginning on or after December 15, 2008 (January 1, 2009 for us). The adoption of SFAS No. 141(R) and SFAS No. 160 are not expected to have a material impact on our consolidated financial statements.

Results of Operations

The following table summarizes Powerwave's results of operations as a percentage of net sales for the three and nine months ended September 28, 2008 and September 30, 2007:

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales:				
Cost of goods	75.5	80.0	75.7	81.3
Intangible asset amortization	1.7	2.4	2.3	2.7
Restructuring and impairment charges	1.4	4.0	2.0	4.5
Total cost of sales	78.6	86.4	80.0	88.5
Gross profit	21.4	13.6	20.0	11.5
Operating expenses:				
Sales and marketing	4.3	6.5	5.1	7.3
Research and development	7.7	8.9	8.3	12.0
General and administrative	7.6	9.1	6.9	10.2
Intangible asset amortization	1.1	1.4	1.1	1.5
Restructuring and impairment charges	1.2	0.1	0.5	1.1
Total operating expenses	21.9	26.0	21.9	32.1
Operating loss	(0.5)	(12.4)	(1.9)	(20.6)
Other income (expense), net	0.0	(1.1)	(1.4)	(0.7)
Loss before income taxes	(0.5)	(13.5)	(3.3)	(21.3)
Income tax provision	0.3	0.8	0.4	0.6
Net loss	(0.8)%	(14.3)%	(3.7)%	(21.9)%

Three Months ended September 28, 2008 and September 30, 2007

Net Sales

Our sales are derived from the sale of wireless communications network products and coverage solutions, including antennas, boosters, combiners, filters, radio frequency power amplifiers, repeaters, tower-mounted amplifiers and advanced coverage solutions for use in cellular, PCS, 3G and WiMAX wireless communications networks throughout the world.

The following table presents a further analysis of our sales based upon our various customer groups:

Customer Group	Three Months Ended (dollars in thousands)			
	September 28, 2008		September 30, 2007	
Wireless network operators and other	\$ 97,382	41%	\$ 54,339	27%
Original equipment manufacturers	140,578	59%	146,334	73%
Total	\$ 237,960	100%	\$ 200,673	100%

Sales increased by 19% to \$238.0 million for the three months ended September 28, 2008, from \$200.7 million, for the three months ended September 30, 2007. This increase was due to several factors, which included increased demand from our direct operator customers, which increased by approximately 79% for the three months ended September 28, 2008 compared to the three months ended September 30, 2007. The increase was primarily due to increased demand for wireless infrastructure equipment compared to the third quarter of 2007. We believe that this increased demand is being driven by operators' increased focus on selling data services, and their customers' increasing use of high speed data networks. This usage has in turn increased demand for the types of equipment that we sell. In addition, demand in the third quarter of 2007 was significantly reduced due to lower demand from our direct network operator customers.

The following table presents a further analysis of our sales based upon our various product groups:

<u>Wireless Communications Product Group</u>	<u>Three Months Ended</u> <u>(dollars in thousands)</u>			
	<u>September 28, 2008</u>		<u>September 30, 2007</u>	
Antenna systems	\$ 75,352	32%	\$ 44,351	22%
Base station systems	142,880	60%	146,368	73%
Coverage systems	19,728	8%	9,954	5%
Total	<u>\$ 237,960</u>	<u>100%</u>	<u>\$ 200,673</u>	<u>100%</u>

Antenna systems consist of base station antennas and tower-mounted amplifiers. Base station systems consist of products that are installed into or around the base station of wireless networks and include products such as boosters, combiners, filters, radio frequency power amplifiers and VersaFlex cabinets. Coverage systems consist primarily of repeaters and advanced coverage solutions. The increase in antenna systems and coverage systems product groups is due to the impact of increased demand from our direct network operator customers during the three months ended September 28, 2008, as compared to the three months ended September 30, 2007.

We track the geographic location of our sales based upon the location of our customers to which we ship our products. Since many of our original equipment manufacturer customers purchase products from us at central purchasing locations throughout the world and then reship the product with other base station equipment to locations throughout the world, we are unable to identify the final installation location of many of our products.

The following table presents an analysis of our net sales based upon the geographic area to which a product was shipped:

<u>Geographic Area</u>	<u>Three Months Ended</u> <u>(dollars in thousands)</u>			
	<u>September 28, 2008</u>		<u>September 30, 2007</u>	
Americas	\$ 70,504	30%	\$ 55,820	28%
Asia Pacific	99,977	42%	52,775	26%
Europe	64,614	27%	81,796	41%
Other international	2,865	1%	10,282	5%
Total net sales	<u>\$ 237,960</u>	<u>100%</u>	<u>\$ 200,673</u>	<u>100%</u>

Revenues increased in the Americas and the Asia Pacific region in the third quarter of fiscal 2008 as compared to the third quarter of fiscal 2007. The increase in revenues in the Asia Pacific region was largely attributed to growth in demand in India, China and South Korea. The increase in the Americas revenues was due to growth in both the operator direct channel and the original equipment manufacturer channel in North America and growth in the operator direct channel in South America. The decrease in European revenues was due primarily to lower demand from original equipment manufacturer customers who took delivery of products outside of Europe during the third quarter of 2008. Since wireless network infrastructure spending is dependent on individual network coverage and capacity demands, we do not believe that our revenue fluctuations for any geographic region are necessarily indicative of a predictable trend for our future revenues by geographic area. In addition, as noted above, growth in one geographic location may not reflect actual demand growth in that location due to the centralized buying processes of our original equipment manufacturer customers.

A large portion of our revenues are generated in currencies other than the U.S. dollar. During the last year, the value of the U.S. dollar has changed significantly against many other currencies. Due to the general increase in value of foreign currencies compared to the U.S. dollar, the value of non-U.S. dollar sales, as expressed in U.S. dollars, has increased this year. We have calculated that when comparing exchange rates in effect for the third quarter of 2007 to those in effect for the third quarter of 2008, approximately 4.4% of our third quarter 2008 revenue could be attributable to the increase in the value of foreign currencies as compared to the U.S. dollar. As the third quarter ended, the value of the U.S. dollar significantly increased, and if this trend continues, it will have a negative impact on the values of our foreign non-dollar based revenues.

For the quarter ended September 28, 2008, total sales to Nokia Siemens accounted for approximately 32% of sales and sales to Alcatel-Lucent accounted for approximately 14% of sales for the quarter. For the quarter ended September 30, 2007, total sales to Nokia and Siemens accounted for approximately 35% of sales and sales to Alcatel-Lucent accounted for approximately 17% of sales for the quarter. Notwithstanding our acquisitions, our business remains largely dependent upon a limited number of customers within the wireless communications market and we cannot guarantee that we will continue to be successful in attracting new customers or retaining or increasing business with our existing customers.

A number of factors have caused delays and may cause future delays in new wireless infrastructure and upgrade deployment schedules throughout the world, including deployments in the United States, Europe, Asia, South America and other areas. In addition, a number of factors may cause original equipment manufacturers to alter their outsourcing strategy concerning certain wireless communications network products, which could cause such original equipment manufacturers to reduce or eliminate their demand for external supplies of such products or shift their demand to alternative suppliers or internal suppliers. Such factors include lower perceived internal manufacturing costs and competitive reasons to remain vertically integrated. Due to the possible uncertainties associated with wireless infrastructure deployments and original equipment manufacturer demand, as well as recent conditions in the world economy and credit markets, we have experienced and expect to continue to experience significant fluctuations in demand from our original equipment manufacturer and network operator customers. Such fluctuations have caused and may continue to cause significant reductions in our revenues and/or operating results, which has adversely impacted and may continue to adversely impact our business, financial condition and results of operations.

Cost of Sales and Gross Profit

Our cost of sales includes both fixed and variable cost components and consists primarily of materials, assembly and test labor, overhead, which includes equipment and facility depreciation, transportation costs, warranty costs and amortization of product-related intangibles. Components of our fixed cost structure include test equipment and facility depreciation, purchasing and procurement expenses and quality assurance costs. Given the fixed nature of such costs, the absorption of our overhead costs into inventory decreases and the amount of overhead variances expensed to cost of sales increases as volumes decline since we have fewer units to absorb our overhead costs against. Conversely, the absorption of our overhead costs into inventory increases and the amount of overhead variances expensed to cost of sales decreases as volumes increase since we have more units to absorb our overhead costs against. As a result, our gross profit margins generally decrease as revenue and volumes decline due to lower sales volume and higher amounts of overhead variances expensed to cost of sales; and our gross profit margins generally increase as our revenue and volumes increase due to higher sales volume and lower amounts of overhead variances expensed to cost of sales.

The following table presents an analysis of our gross profit:

	Three Months Ended (dollars in thousands)			
	September 28, 2008		September 30, 2007	
Net sales	\$ 237,960	100.0%	\$ 200,673	100.0%
Cost of sales:				
Cost of goods	179,633	75.5%	160,499	80.0%
Intangible amortization	4,094	1.7%	4,910	2.4%
Restructuring and impairment charges	3,368	1.4%	7,998	4.0%
Total cost of sales	<u>187,095</u>	<u>78.6%</u>	<u>173,407</u>	<u>86.4%</u>
Gross profit	<u>\$ 50,865</u>	<u>21.4%</u>	<u>\$ 27,266</u>	<u>13.6%</u>

Our total gross profit increased during the third quarter of fiscal 2008, compared to the third quarter of fiscal 2007, primarily as a result of our increased revenues and cost reduction activities over the last year. Our increased revenues allowed us to absorb more of our manufacturing cost overheads and fixed costs, which in turn improves our gross margins. In addition, our cost reduction activities, which included manufacturing plant consolidations and closures, helped to reduce our fixed costs and manufacturing cost overheads, which contributed to the improved gross margins. Both intangible amortization costs and restructuring and impairment charges decreased in the third quarter of 2008 when compared to the third quarter of 2007. The decreased intangible amortization costs are largely due to certain intangibles becoming fully amortized at the end of our second quarter of 2008 (see “Note 6. Intangible Assets” in the “Notes to Consolidated Financial Statements” included under Part II, Item 8, and “Financial Statements and Supplementary Data” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2007). We incurred approximately \$3.4 million of restructuring and impairment charges in cost of sales during the third quarter of fiscal 2008, primarily related to the planned closures of our manufacturing facilities in Salisbury, Maryland and Szekesfehervar, Hungary, and related impairment of inventory that either has been or will be disposed of and is not expected to generate future revenue. Our cost of goods sold was also increased by a \$0.3 million employee bonus accrual for the quarter ended September 28, 2008.

In addition, for the third quarter of 2008, our cost of goods includes a credit of approximately \$2.4 million related to our sale of inventory to several customers during the quarter which was previously determined to be excess and obsolete to our ongoing requirements. This had a positive impact of approximately 1.0% on our gross profit margin that we do not expect to repeat going forward.

The wireless communications infrastructure equipment industry is extremely competitive and is characterized by rapid technological change, new product development and product obsolescence, evolving industry standards and significant price erosion over the life of a product. Certain of our competitors have aggressively lowered prices in an attempt to gain market share. Due to these competitive pressures and the pressures of our customers to continually lower product costs, we expect that the average sales prices of our products will continue to decrease and negatively impact our gross margins. In addition, we have introduced new products at lower sales prices and these lower sales prices have impacted the average sales prices of our products. We have also reduced prices on our existing products in response to our competitors and customer demands. We currently expect that pricing pressures will remain strong in our industry. Future pricing actions by our competitors and us may adversely impact our gross profit margins and profitability, which could result in decreased liquidity and adversely affect our business, financial condition and results of operations.

We continue to strive for manufacturing and engineering cost reductions to offset pricing pressures on our products, as evidenced by our decision to close several of our manufacturing operations as part of our plan to reduce our manufacturing costs. However, we cannot guarantee that these cost reductions, and our outsourcing or product redesign efforts will keep pace with price declines and cost increases. If we are unable to further reduce our costs through our manufacturing, outsourcing and/or engineering efforts, our gross margins and profitability will be adversely affected. See “Our average sales prices have declined...” and “Our reliance on contract manufacturers exposes us to risks...” under Part II, Item 1A. “Risk Factors.”

Operating Expenses

The following table presents a breakdown of our operating expenses by functional category and as a percentage of net sales:

<u>Operating Expenses</u>	Three Months Ended (dollars in thousands)			
	September 28, 2008		September 30, 2007	
Sales and marketing	\$ 10,301	4.3%	\$ 13,090	6.5%
Research and development	18,447	7.7%	17,896	8.9%
General and administrative	17,992	7.6%	18,282	9.1%
Intangible amortization	2,589	1.1%	2,656	1.4%
Restructuring and impairment charges	2,755	1.2%	224	0.1%
Total operating expenses	<u>\$ 52,084</u>	<u>21.9%</u>	<u>\$ 52,148</u>	<u>26.0%</u>

Sales and marketing expenses consist primarily of sales salaries and commissions, travel expenses, advertising and marketing expenses, selling expenses, charges for customer demonstration units and trade show expenses. Sales and marketing expenses decreased by \$2.8 million, or 21%, during the quarter ended September 28, 2008 as compared to the quarter ended September 30, 2007. The decrease was due to lower salary and related benefits costs, as well as lower bad debt costs and lower commissions. In addition, sales and marketing expenses include an employee bonus accrual of \$0.1 million for the third quarter of 2008. No bonus was accrued during 2007.

Research and development expenses consist primarily of ongoing design and development expenses for new wireless communications network products, as well as for advanced coverage solutions. We also incur design expenses associated with reducing the cost and improving the manufacturability of our existing products. Research and development expenses can fluctuate dramatically from period to period depending on numerous factors including new product introduction schedules, prototype developments and hiring patterns. Research and development expenses increased by \$0.6 million, or 3%, during the quarter ended September 28, 2008 as compared to the quarter ended September 30, 2007. The increase is largely attributable to an employee bonus accrual of \$0.6 million for the third quarter of 2008. No bonus was accrued during 2007.

General and administrative expenses consist primarily of salaries and other expenses for management, finance, information systems, legal fees, facilities and human resources. General and administrative expenses decreased \$0.3 million, or 2%, during the quarter ended September 28, 2008 as compared to the quarter ended September 30, 2007. This decrease was due reduced salaries due to headcount reductions over the last year from our restructuring activities, offset by an increase to our accounting, audit and tax fees. In addition, general and administrative expenses include an employee bonus accrual of \$0.7 million for the third quarter of 2008. No bonus was accrued during 2007.

Amortization of customer-related intangibles from our acquisitions, amounted to \$2.6 million for the third quarter of fiscal 2008, compared to \$2.7 million for the third quarter of fiscal 2007.

We also recorded a restructuring charge of \$2.8 million in the third quarter of fiscal 2008 for severance and facility closure costs primarily related to the closures of our Bristol, U.K. and Salisbury, Maryland facilities. This compares to a charge of \$0.2 million in the third quarter of fiscal 2007, which was also related to severance and facility closure costs.

Other Income (Expense), net

The following table presents an analysis of other income (expense), net:

	Three Months Ended (dollars in thousands)			
	September 28, 2008		September 30, 2007	
Interest income	\$ 191	0.1%	\$ 455	0.3%
Interest expense	(2,983)	(1.3)%	(2,349)	(1.2)%
Foreign currency loss, net	2,582	1.1%	(1,843)	(0.9)%
Other income, net	168	0.1%	1,458	0.7%
Other income (expense), net	<u>\$ (42)</u>	<u>(0.0)%</u>	<u>\$ (2,279)</u>	<u>(1.1)%</u>

Interest income decreased by \$0.3 million during the third quarter ended September 28, 2008, primarily due to our lower cash balances and the significantly reduced short-term interest rates. The main factor contributing to our lower other expense was a net foreign exchange gain of approximately \$2.6 million, which was largely due to the significant increase in the value of the U.S. dollar versus several currencies, including the Euro and Swedish Krona.

Income Tax Provision

Our effective tax rate for the three months ended September 28, 2008 was an expense of approximately 42.8% of our pre-tax losses of \$1.3 million, while our year-to-date effective tax rate is an expense of approximately 10.6%. We have recorded a valuation allowance against a portion of our deferred tax assets pursuant to SFAS No. 109 due to the uncertainty as to the timing and ultimate realization of those assets. As such, for the foreseeable future, the tax provision or tax benefit related to future U.S. earnings or losses will be offset substantially by a reduction in the valuation allowance due to the uncertainty of the recoverability of the deferred tax assets. Accordingly, for the three months ended September 28, 2008, tax expense consisted primarily of taxes or tax benefits in certain foreign jurisdictions, primarily China.

Net Loss

The following table presents a reconciliation of operating loss to net loss:

	Three Months Ended (dollars in thousands)	
	September 28, 2008	September 30, 2007
Operating loss	\$ (1,219)	\$ (24,882)
Other expense, net	(42)	(2,279)
Loss before income taxes	(1,261)	(27,161)
Income tax provision	540	1,457
Net loss	<u>\$ (1,801)</u>	<u>\$ (28,618)</u>

Our net loss for the quarter ended September 28, 2008 was \$1.8 million compared to our net loss of \$28.6 million for the quarter ended September 30, 2007. The reduction in our net loss during the third quarter of fiscal 2008 as compared to the third quarter of fiscal 2007 is primarily the result of increased revenues and better absorption of manufacturing overhead costs resulting in higher gross profit and significantly reduced operating loss.

Nine Months ended September 28, 2007 and September 30, 2007

Net Sales

Sales increased by 29% to \$709.9 million for the nine months ended September 28, 2008, from \$549.9 million, for the nine months ended September 30, 2007. This increase was due to several factors, which included higher demand from both our direct operator customers, which increased by approximately \$140.3 million or 102% for the nine months ended September 28, 2008 compared with the nine months ended September 30, 2007, and increased demand from our original equipment manufacturer customers, which increased by approximately \$19.6 million or 5% for the nine months ended September 28, 2008 compared to the nine months ended September 30, 2007.

The following table presents a further analysis of our sales based upon our various customer groups:

<u>Customer Group</u>	<u>Nine Months Ended (dollars in thousands)</u>			
	<u>September 28, 2008</u>		<u>September 30, 2007</u>	
Wireless network operators and other	\$ 278,162	39%	\$ 137,823	25%
Original equipment manufacturers	431,741	61%	412,123	75%
Total	<u>\$ 709,903</u>	<u>100%</u>	<u>\$ 549,946</u>	<u>100%</u>

The following table presents a further analysis of our sales based upon our various product groups:

<u>Wireless Communications Product Group</u>	<u>Nine Months Ended (dollars in thousands)</u>			
	<u>September 28, 2008</u>		<u>September 30, 2007</u>	
Antenna systems	\$ 195,788	28%	\$ 115,408	21%
Base station systems	444,180	62%	399,397	73%
Coverage systems	69,935	10%	35,141	6%
Total	<u>\$ 709,903</u>	<u>100%</u>	<u>\$ 549,946</u>	<u>100%</u>

The increase in antenna systems, base station systems and coverage systems product groups is due to the impact of higher demand from both our original equipment manufacturer customers and our direct network operator customers during the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007.

The following table presents an analysis of our net sales based upon the geographic area to which a product was shipped:

<u>Geographic Area</u>	<u>Nine Months Ended (dollars in thousands)</u>			
	<u>September 28, 2008</u>		<u>September 30, 2007</u>	
Americas	\$ 239,669	34%	\$ 158,222	29%
Asia Pacific	235,572	33%	141,280	25%
Europe	215,738	30%	234,850	43%
Other international	18,924	3%	15,594	3%
Total net sales	<u>\$ 709,903</u>	<u>100%</u>	<u>\$ 549,946</u>	<u>100%</u>

Revenues in the Americas increased in the first nine months of fiscal 2008 as compared to the first nine months of fiscal 2007, primarily as a result of increased demand by both direct network operator and original equipment manufacturer customers. The increase in revenues in the Asia Pacific region is largely attributable to an increase in original equipment manufacturers taking delivery of products in Asia for the Asian market, and increased demand in parts of the region including China, India and South Korea. The reduction in European revenues relates primarily to the shift in original equipment manufacturer deliveries to Asia mentioned above.

A large portion of our revenues are generated in currencies other than the U.S. dollar. During the last year, the value of the U.S. dollar has changed significantly against many other currencies. Due to the general increase in value of foreign currencies compared to the U.S. dollar, the value of non-U.S. dollar sales, as expressed in U.S. dollars, has increased this year. We have calculated that when comparing exchange rates in effect for the nine months ended September 30, 2007 to those in effect for the nine months ended September 28, 2008, approximately 5.9% of our 2008 revenues could be attributable to the increase in the value of foreign currencies as compared to the U.S. dollar.

For the nine months ended September 28, 2008, total sales to Nokia Siemens accounted for approximately 30% of sales and sales to Alcatel-Lucent accounted for approximately 17% of sales for the period. For the nine months ended September 30, 2007, total sales to Nokia Siemens accounted for approximately 36% of sales and sales to Alcatel-Lucent accounted for approximately 16% of sales.

Cost of Sales and Gross Profit

The following table presents an analysis of our gross profit:

	Nine Months Ended (dollars in thousands)			
	September 28, 2008		September 30, 2007	
Net sales	\$ 709,903	100.0%	\$ 549,946	100.0%
Cost of sales:				
Cost of sales	537,486	75.7%	447,306	81.3%
Intangible amortization	16,459	2.3%	14,716	2.7%
Restructuring and impairment charges	13,903	2.0%	24,656	4.5%
Total cost of sales	<u>567,848</u>	<u>80.0%</u>	<u>486,678</u>	<u>88.5%</u>
Gross profit	<u>\$ 142,055</u>	<u>20.0%</u>	<u>\$ 63,268</u>	<u>11.5%</u>

Our total gross profit increased during the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007 primarily as a result of our increased revenues and improved manufacturing overhead cost absorption due to our cost reduction activities, which contributed to our improved gross profit. The completion of the Filtronic Wireless acquisition in the fourth quarter of 2006 added significant additional manufacturing overhead expenses which were not being absorbed by our lower revenues during the first nine months of 2007. Also contributing to the increase in our gross margins for the first nine months of fiscal 2008 was a significant increase in direct network operator sales, which typically carry higher margins than our original equipment manufacturer based sales. The increased intangible amortization costs are due a reclassification of our intangible useful lives. We incurred approximately \$13.9 million of restructuring and impairment charges during the first nine months of fiscal 2008 related to restructuring plans implemented primarily in conjunction with our China and Salisbury manufacturing consolidation. For the first nine months of 2007, we incurred a total of \$24.7 million of restructuring and impairment costs primarily related to the closure of our Costa Rica and Philippines manufacturing locations and our 2007 restructure activities (see Note 7 of the Notes to Consolidated Financial Statements, "Restructuring and Impairment Charges.")

Operating Expenses

The following table presents a breakdown of our operating expenses by functional category and as a percentage of net sales:

<u>Operating Expenses</u>	Nine Months Ended (dollars in thousands)			
	September 28, 2008		September 30, 2007	
Sales and marketing	\$ 36,064	5.1%	\$ 40,351	7.3%
Research and development	58,907	8.3%	65,965	12.0%
General and administrative	49,062	6.9%	56,298	10.2%
Intangible amortization	7,846	1.1%	8,313	1.5%
Restructuring and impairment charges	3,834	0.5%	5,783	1.1%
Total operating expenses	<u>\$ 155,713</u>	<u>21.9%</u>	<u>\$ 176,710</u>	<u>32.1%</u>

Sales and marketing expenses decreased by \$4.3 million, or 11%, during the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007. The decrease resulted primarily from decreased payroll associated with headcount reductions over the last year, as well as decreased travel expenses, customer demonstration units and selling expenses, offset by an overall increase in freight expenses.

Research and development expenses decreased by \$7.1 million, or 11%, during the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007 primarily due to decreased payroll from facility closures and associated headcount reductions, and decreased development activities.

General and administrative expenses decreased \$7.2 million, or 13%, during the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007. This decrease was due to decreased payroll associated with lower headcounts associated with various facility closures, and lower travel expenses and lower general office expenses.

Amortization of customer-related intangibles from our acquisitions, amounted to \$7.8 million for the first nine months of fiscal 2008, compared to \$8.3 million for the first nine months of fiscal 2007. The decrease was due to the writeoff of certain intangibles in 2007. We also recorded restructuring and impairment charges of \$3.8 million in the first nine months of fiscal 2008 for severance and facility closure costs related to our 2007 Restructuring Plan and the 2006 Plan for Consolidation of Operations, compared to \$5.8 million for the first nine months of fiscal 2007 (see Note 7 of the Notes to Consolidated Financial Statements, "Restructuring and Impairment Charges.").

Other Income (Expense), net

The following table presents an analysis of other expense, net:

	Nine Months Ended (dollars in thousands)			
	September 28, 2008		September 30, 2007	
Interest income	\$ 430	0.1%	\$ 931	0.2%
Interest expense	(8,372)	(1.2)%	(6,823)	(1.3)%
Foreign currency gain (loss), net	(3,227)	(0.4)%	2,507	0.4%
Other income, net	1,070	0.1%	(99)	0.0%
Other income (expense), net	<u>\$ (10,099)</u>	<u>(1.4)%</u>	<u>\$ (3,484)</u>	<u>(0.7)%</u>

Interest income decreased by \$0.5 million during the nine months ended September 28, 2008, compared to the nine months ended September 30, 2007, primarily due to our lower cash balances, as well as the significantly reduced short-term interest rates. Interest expense increased due to higher subordinated debt balances, due to the issuance of \$150 million 3.875% subordinated convertible notes in September 2007. This was somewhat offset by the repurchase of approximately \$117 million of 1.25% subordinated convertible notes during the fourth quarter of 2007. Other expense was increased further by a net foreign currency loss of \$3.2 million during the nine months ended September 28, 2008 primarily due to the weakness of the U.S. dollar, particularly in comparison to the Euro, Swedish Krona and Chinese RMB, as compared to the first nine months of 2007, during which time we recorded a net foreign currency gain of \$2.5 million.

Income Tax Provision

Our effective tax rate for the nine months ended September 28, 2008 was an expense of approximately 10.6% of our pre-tax losses of \$23.8 million. We have recorded a valuation allowance against a portion of our deferred tax assets pursuant to SFAS No. 109 due to the uncertainty as to the timing and ultimate realization of those assets. As such, for the foreseeable future, the tax provision or tax benefit related to future U.S. earnings or losses will be offset substantially by a reduction in the valuation allowance. Accordingly, for the nine months ended September 30, 2007, tax expense consisted primarily of taxes or tax benefits in certain foreign jurisdictions. However, during the first nine months of 2007, income tax expense was impacted by a required income tax payment of approximately \$1.6 million related to the sale of the our building in the Philippines, as well as a charge of \$0.4 million related to a settlement with the Internal Revenue Service related to an income tax examination for the 2004 tax year.

Net Loss

The following table presents a reconciliation of operating loss to net loss

	Nine Months Ended (in thousands)	
	September 28, 2008	September 30, 2007
Operating loss	\$ (13,658)	\$ (113,442)
Other expense, net	(10,099)	(3,484)
Loss before income taxes	(23,757)	(116,926)
Income tax provision	2,515	3,344
Net loss	<u>\$ (26,272)</u>	<u>\$ (120,270)</u>

Our net loss for the nine months ended September 28, 2008 was \$26.3 million compared to a loss of \$120.3 million for the nine months ended September 30, 2007. The reduction in our net loss during the first nine months of fiscal 2008 as compared to the first nine months of fiscal 2007 is primarily the result of higher revenues, improved gross profit and reduced operating expenses.

Liquidity and Capital Resources

We have historically financed our operations through a combination of cash on hand, cash provided from operations, equipment lease financings, available borrowings under our bank line of credit, private debt placements and both private and public equity offerings. Our principal sources of liquidity consist of existing cash balances, funds expected to be generated from future operations and borrowings under our receivables credit facility. As of September 28, 2008, we had working capital of \$205.2 million, including \$57.7 million in unrestricted cash and cash equivalents as compared to working capital of \$192.2 million at December 30, 2007, which included \$58.2 million in unrestricted cash and cash equivalents. We currently invest our excess cash in short-term, investment-grade, money-market instruments with maturities of three months or less. We typically hold such investments until maturity and then reinvest the proceeds in similar money market instruments. We believe that all of our cash investments would be readily available to us should the need arise.

Cash Flows

The following table summarizes our cash flows for the nine months ended September 28, 2008 and September 30, 2007:

	Nine Months Ended	
	September 28, 2008	September 30, 2007
Net cash provided by (used in):		
Operating activities	\$ 17,711	\$ (11,259)
Investing activities	(3,569)	9,206
Financing activities	(13,065)	148,771
Effect of foreign currency translation on cash and cash equivalents	(1,557)	2,168
Net increase in cash and cash equivalents	<u>\$ (480)</u>	<u>\$ 148,886</u>

Net cash provided by operations during the nine months ended September 28, 2008 was \$17.7 million as compared to a net cash usage of \$11.3 million during the nine months ended September 30, 2007. The increase in cash provided by operations during the first nine months of fiscal 2008 is primarily due to an improved gross profit margin resulting in a lower operating loss when compared to the first nine months of 2007.

Net cash used in investing activities during the first nine months of fiscal 2008 was \$3.6 million as compared to net cash provided by investing activities of \$9.2 million during the first nine months of fiscal 2007. The \$3.6 million in net cash used in investing activities during the nine months ended September 28, 2008 represents a reduction in our restricted cash of \$3.7 million and net proceeds from the sale of our Costa Rica building of approximately \$3.9 million, offset by capital expenditures of \$7.5 million and payment of a deferred acquisition payment of \$4.1 million. Total capital expenditures during the nine months ended September 28, 2008 and September 30, 2007 were approximately \$7.5 million and \$9.7 million, respectively. The majority of the capital spending during both periods related to computer hardware and test equipment utilized in our manufacturing and research and development areas. We expect our capital spending requirements for the remainder of this year to range between \$2 million and \$3 million, consisting of test and production equipment, as well as computer hardware and software.

Net cash used in financing activities of \$13.1 million during the first nine months of 2008 relates primarily to the redemption of the 1.25% Convertible Notes due July 2008. Net cash provided by financing activities for the first nine months of 2007 of \$148.8 million was primarily related to the issuance of the \$150 million of 3.875% Convertible Subordinate Notes.

In the third quarter of 2008, we repaid the outstanding principal and accrued interest totaling \$13.7 million on our 1.25% Convertible Subordinated Notes due July 2008 and paid \$4.1 million as deferred consideration relating to a prior acquisition. In addition, we paid approximately \$1.8 million related to a deferred tax claim associated with our acquisition of LGP Allgon. Despite these one time expenditures, we currently believe that our existing cash balances, funds expected to be generated from operations and borrowings under our receivables facility will provide us with sufficient funds to finance our current operations for at least the next twelve months. Our principal sources of liquidity consist of our existing cash balances, funds expected to be generated from operations and our credit facility with Deutsche Bank AG, described below. We regularly review our cash funding requirements and attempt to meet those requirements through a combination of cash on hand and cash provided by operations. Our ability to increase revenues and generate profits is subject to numerous risks and uncertainties, and any significant decrease in our revenues or profitability would reduce our operating cash flows and erode our existing cash balances. No assurances can be given that we will be able to generate positive operating cash flows in the future or maintain and/or grow our existing cash balances.

We had a total of \$350 million of long-term convertible subordinate notes outstanding at September 28, 2008. No assurance can be given that we will be able to generate positive operating cash flows in the future or maintain and/or grow our existing cash balances. If we do not generate sufficient cash from operations, or improve our ability to generate cash, we may not have sufficient funds available to pay our maturing debt. If we have not retired the debt prior to maturity, and if we do not have adequate cash available at that time we would be required to refinance the notes and no assurance can be given that we will be able to refinance the notes on terms acceptable to us or at all given current conditions in the credit markets. If our financial performance is poor, we will likely encounter a more difficult environment in terms of raising additional financing. If we are not able to repay or refinance the notes or if we experience a prolonged period of reduced customer demand for our products, our ability to maintain operations may be impacted.

Financing Activities

On May 15, 2008, we amended our Revolving Trade Receivables Purchase Agreement with Deutsche Bank AG, New York Branch, as Administrative Agent (the "Receivables Purchase Agreement") and extended the Facility Termination Date to May 15, 2009. The Receivables Purchase Agreement provides for a receivables sales facility pursuant to which certain trade receivables are sold to a group of banks, which group initially consisted of Deutsche Bank AG, New York Branch. The outstanding amount of trade receivables sold under the receivables facility may not exceed \$65.0 million at any given time. The receivables sales facility is subject to conditions to funding, representations and warranties, undertakings and early termination events that are customary for transactions of this nature. At September 28, 2008, there were no balances outstanding under the Receivables Purchase Agreement. Proceeds from the Revolving Trade Receivables Purchase Facility would be available for working capital and for other general corporate purposes.

On occasion, we have previously utilized both operating and capital lease financing for certain equipment purchases used in our manufacturing and research and development operations and may selectively continue to do so in the future. We may require additional funds in the future to support our working capital requirements or for other purposes such as acquisitions, and we may seek to raise such additional funds through the sale of public or private equity and/or debt financings, as well as from other sources. Our ability to secure additional financing or sources of funding is dependent upon our financial performance, credit rating and the market price for our Common Stock, which are both directly impacted by our ability to grow revenues and generate profits. In addition, our ability to obtain financing is directly dependent upon the availability of financial markets to provide sources of financing on reasonable terms and conditions. The capital and credit markets have been experiencing extreme volatility and disruption recently and, in the past several weeks, the volatility and disruption have reached unprecedented levels. In several cases, the markets have exerted downward pressure on stock prices and credit capacity for certain issuers. Given current market conditions, we can make no guarantee that we will be able to obtain additional financing or secure new financing arrangements in the future. If our operating performance was to deteriorate and our cash balances were to be significantly reduced, we would likely encounter a more difficult environment in terms of raising additional funding to support our business and we may be required to further reduce operating expenses or scale back operations.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist primarily of conventional operating leases, purchase commitments and other commitments arising in the normal course of business, as further discussed in our Form 10-K for the year ended December 30, 2007, in part II, Item 7 under the heading "Contractual Obligations and Commercial Commitments." As of September 28, 2008, we did not have any other relationships with unconsolidated entities or financial partners, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually-narrow or limited purposes.

Disclosure About Stock Option Plans

Our stock option program is a broad-based, long-term retention program that is intended to attract and retain talented employees and align stockholder and employee interests. The program consists of six separate plans: one under which non-employee directors may be granted options to purchase shares of stock, and five broad-based plans under which options may be granted to all employees, including officers. One plan provides for both option grants and stock based awards including restricted stock awards. Options granted under these plans expire either five or ten years from the grant date and generally vest over two to four years.

During the nine months ended September 28, 2008, we granted options to purchase a total of 1,363,500 shares of Common Stock and we granted 450,000 shares of restricted stock to employees. After deducting 2,044,181 shares for options forfeited, the result was net option forfeitures of 230,681. Net option forfeitures during the year represented 0.2% of our total outstanding common shares of 131,640,924 as of September 28, 2008. The following table summarizes the net stock option grants and restricted stock awards to our employees, directors and executive officers during the two most recent fiscal periods:

	<u>Nine Months Ended September 28, 2008</u>	<u>Year Ended December 30, 2007</u>
Net grants (forfeitures) during the period as a % of total outstanding common shares	0.2%	0.6%
Grants to executive officers during the period as a % of total options and awards granted during the period	20.7%	29.3%
Grants to executive officers during the period as a % of total outstanding common shares	0.3%	0.5%
Cumulative options held by executive officers as a % of total options outstanding	31.0%	32.6%

At September 28, 2008, a total of 3,713,331 options were available for grant under all of our option plans and a total of 302,785 shares of Common Stock were held in escrow to cover all remaining exercises under the 1995 Stock Option Plan. See “Note 13. Stock Option Plans” in the “Notes to Consolidated Financial Statements” included under Part II, Item 8, and “Financial Statements and Supplementary Data” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2007 for further information regarding the 1995 Stock Option Plan. The following table summarizes activity for outstanding options under all of our stock option plans during the nine months ended September 28, 2008:

	<u>Number of Shares</u>	<u>Price Per Share</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Options Exercisable</u>	<u>Weighted Average Exercise Price</u>
Balance at December 30, 2007	7,032,990	\$ 2.29-\$67.08	\$ 9.01	3,982,676	\$ 10.64
Granted	1,363,500	\$ 2.20-\$4.96	\$ 4.44		
Exercised	(36,409)	\$ 2.29-\$3.82	\$ 2.43		
Cancelled	(1,313,175)	\$ 2.73-\$66.00	\$ 7.85		
Balance at September 28, 2008	<u>7,046,906</u>	\$ 2.20-\$67.08	\$ 8.38	3,707,567	\$ 10.59

The following table summarizes outstanding stock options that are “in-the-money” and “out-of-the-money” as of September 28, 2008. For purposes of this table, in-the-money stock options are those options with an exercise price less than \$4.05 per share, the closing price of Powerwave Common Stock on September 26, 2008, the last trading day of the fiscal quarter, and out-of-the-money stock options are stock options with an exercise price greater than or equal to the \$4.05 per share closing price.

	<u>Exercisable</u>		<u>Unexercisable</u>		
	<u>Shares</u>	<u>Wtd. Avg. Exercise Price</u>	<u>Shares</u>	<u>Wtd. Avg. Exercise Price</u>	<u>Total Shares</u>
In-the-Money	80,000	\$ 3.82	285,000	\$ 3.10	365,000
Out-of-the-Money	<u>3,627,567</u>	10.74	<u>3,054,339</u>	6.18	<u>6,681,906</u>
Total Options Outstanding	<u>3,707,567</u>	\$ 10.59	<u>3,339,339</u>	\$ 5.91	<u>7,046,906</u>

The following table sets forth certain information concerning the exercise of options by each of our executive officers during the nine months ended September 28, 2008, including the aggregate value of gains on the date of exercise held by such executive officers, as well as the number of shares covered by both exercisable and unexercisable stock options as of September 28, 2008. Also reported are the values for the in-the-money options which represent the positive spread between the exercise prices of any such existing stock options and the closing price of the Company's Common Stock on the last trading day of the fiscal quarter.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at September 28, 2008		Value of Unexercised In-the-Money Options at September 28, 2008 ⁽¹⁾	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Ronald J. Buschur	—	\$ —	1,000,000	100,000	\$ —	\$ —
Kevin T. Michaels	—	\$ —	492,500	147,500	\$ —	\$ —
J. Marvin Magee	—	\$ —	82,916	177,084	\$ —	\$ —
Khurram P. Sheikh	—	\$ —	50,104	134,896	\$ —	\$ —

⁽¹⁾ In accordance with the Securities and Exchange Commission's rules, values are calculated by subtracting the exercise price from the fair market value of the underlying Common Stock. For purposes of this table, fair market value per share is deemed to be \$4.05; the Company's closing Common Stock price reported by Nasdaq on September 26, 2008, the last trading day of the fiscal quarter.

Our shareholders have previously approved all stock option plans under which our Common Stock is reserved for issuance. The following table provides summary information as of September 28, 2008, for all of our stock option plans:

	Number of Shares of Common Stock to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares of Common Stock Remaining Available for Future Issuance under our Stock Option Plans (Excluding Shares Reflected in Column 1)
Equity Compensation Plans Approved by Shareholders	7,046,906	\$ 8.38	4,020,116
Equity Compensation Plans Not Approved by Shareholders	—	—	—
Total	7,046,906	\$ 8.38	4,020,116

⁽¹⁾ The number of securities remaining available for future issuance has also been reduced to reflect 450,000 shares of restricted stock issued under the 2005 Stock Incentive Plan.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments include cash and cash equivalents, restricted cash, short-term investments, capital leases and long-term debt. At September 28, 2008, the carrying values of our financial instruments approximated their fair values based upon current market prices and rates.

We are exposed to a number of market risks in the ordinary course of business. These risks, which include foreign currency risk, interest rate risk and commodity price risk, arise in the normal course of business rather than from trading. We have examined our exposures to these risks and have concluded that none of our exposures in these areas are material to fair values, cash flows or earnings.

Foreign Currency Risk

Our international operations represent a substantial portion of our operating results and asset base. We maintain various operations in multiple foreign locations including Brazil, China, Estonia, Finland, France, Germany, India, Singapore, Sweden and the United Kingdom. These international operations generally incur local operating costs and generate third party revenues in currencies other than the U.S. dollar. Such foreign currency revenues and expenses expose us to foreign currency risk and give rise to foreign exchange gains and losses.

We regularly pursue new customers in various international locations where new deployments or upgrades to existing wireless communication networks are planned. As a result, a significant portion of our revenues are derived from international sources (excluding North America), with our international customers accounting for approximately 69% of our net sales during the nine months ended September 28, 2008, 73% of our fiscal 2007 net sales, 72% of our fiscal 2006 net sales and 62% of our fiscal 2005 net sales. Such international sources include Europe, Asia and South America, where there has been historical volatility in several of the regions' currencies. Changes in the value of the U.S. Dollar versus the local currency in which our products are sold exposes us to foreign currency risk since the weakening of an international customer's local currency and banking market may negatively impact such customer's ability to meet their payment obligations to us. Alternatively, if a sale price is denominated in U.S. dollars and the value of the dollar falls, we may suffer a loss due to the lower value of the dollar. In addition, certain of our international customers require that we transact business with them in their own local currency, regardless of the location of our operations, which also exposes us to foreign currency risk. As we sell products or services in foreign currencies, we may be required to convert the payments received into U.S. Dollars or utilize such foreign currencies as payments for expenses of our business, which may give rise to foreign exchange gains and losses. Given the uncertainty as to when and what specific foreign currencies we may be required or decide to accept as payment from our international customers, we cannot predict the ultimate impact that such a decision would have on our business, gross margins and results of operations. For the first nine months of 2008, due to the reduced value of the U.S. dollar, we recorded a foreign exchange translation loss of \$3.2 million. There can be no assurance that we will not incur additional foreign exchange translation losses in the future if the dollar continues to weaken.

While we monitor our foreign currency exposures, we did not maintain an active foreign currency hedging program during the third quarter of 2008. We implemented a limited hedging program in the fourth quarter of 2008 utilizing derivative instruments to assist in managing our foreign exchange rate risk. Based on our overall foreign exchange rate exposure at September 28, 2008, a change in the Euro, the Chinese Yuan, the Indian Rupee or the Swedish Krona could have a material effect on our consolidated results of operations or cash flows.

Interest Rate Risk

As of September 28, 2008, we had cash equivalents of approximately \$61.3 million in both interest and non-interest bearing accounts, including restricted cash. We also had \$200.0 million of convertible subordinated notes due November 2024 at a fixed annual interest rate of 1.875% and \$150.0 million of convertible subordinated notes due October 2027 at a fixed rate of 3.875%. We are exposed to interest rate risk primarily through our convertible subordinated debt and our cash investment portfolio. Short-term investment rates have decreased significantly during 2008 as the U.S. Federal Reserve has attempted to soften the impacts of the economic slowdown and subprime mortgage issues. In spite of this, we believe that we are not subject to material fluctuations in principal given the short-term maturities and high-grade investment quality of our investment portfolio, and the fact that the effective interest rate of our portfolio tracks closely to various short-term money market interest rate benchmarks. Therefore, we currently do not use derivative instruments to manage our interest rate risk. Based on our overall interest rate exposure at September 28, 2008, we do not believe that a 100 basis point change in interest rates would have a material effect on our consolidated financial position, results of operations or cash flows.

Commodity Price Risk

Our internal manufacturing operations and contract manufacturers require significant quantities of transistors, semiconductors and various metals for use in the manufacture of our products. Therefore, we are exposed to certain commodity price risk associated with variations in the market prices for these electronic components as these prices directly impact the cost to manufacture products and the price we pay our contract manufacturers to manufacture our products. We attempt to manage this risk by entering into supply agreements with our contract manufacturers and various suppliers of these components. These supply agreements are not long-term supply agreements. If we or our contract manufacturers become subject to a significant increase in the price of one of these components, we would likely be forced to pay such higher prices and we may be unable to pass such costs onto our customers. In addition, certain transistors and semiconductors are regularly revised or changed by their manufacturers, which may result in a requirement for us to redesign a product that utilizes such components or cease to produce such products. In such events, our business, results of operations and financial condition could be adversely affected. Additionally, we require specialized electronic test equipment, which is utilized in both the design and manufacture of our products. Such electronic test equipment is available from limited sources and may not be available in the time periods required for us to meet our customers' demand. If required, we may be forced to pay higher prices for such equipment and/or we may not be able to obtain the equipment in the time periods required, which would then delay our development or production of new products. Such delays and any potential additional costs could have a material adverse effect on our business, results of operations and financial condition. The world economy has experienced significant increases in the price of oil and energy during the first nine months of 2008. Such increases have translated into higher freight and transportation costs and, in certain cases, higher raw material supply costs. These higher costs have negatively impacted our production costs. We may not be able to pass on these higher costs to our customers and if we insist on raising prices, our customers may curtail their purchases from us. Further increases in energy prices may negatively impact our results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to Powerwave and its consolidated subsidiaries is made known to the officers who certify the Company's financial reports, as well as other members of senior management and the Board of Directors, to allow timely decisions regarding required disclosures. As of the end of the period covered by this report, Powerwave carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information related to the Company that is required to be included in Powerwave's annual and periodic SEC filings.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Powerwave have been detected.

Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the first nine months of fiscal 2008 that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the first quarter of 2007, four purported shareholder class action complaints were filed in the United States District Court for the Central District of California against the Company, its President and Chief Executive Officer, its former Executive Chairman of the Board of Directors and its Chief Financial Officer. The complaints were *Jerry Crafton v. Powerwave Technologies, Inc., et. al.*, *Kenneth Kwan v. Powerwave Technologies, Inc., et. al.*, *Achille Tedesco v. Powerwave Technologies, Inc., et. al.* and *Farokh Etemadieh v. Powerwave Technologies, Inc. et. al.* and were brought under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. In June 2007, the four cases were consolidated into one action before the Honorable Judge Philip Gutierrez, and a lead plaintiff was appointed. In October 2007, the lead plaintiff filed an amended complaint asserting the same causes of action and purporting to state claims on behalf of all persons who purchased Powerwave securities between May 2, 2005 and November 2, 2006. The essence of the allegations in the amended complaint were that the defendants made misleading statements or omissions concerning the Company's projected and actual sales revenues, the integration of certain acquisitions and the sufficiency of the Company's internal controls. In December 2007, the defendants filed a motion to dismiss the amended complaint. On April 17, 2008, the Court granted defendants' motion to dismiss plaintiffs' claims in connection with the Company's projected sales revenues, but denied defendants' motion to dismiss plaintiffs' other claims. On August 29, 2008, the defendants answered the amended complaint. Discovery has begun, and trial of the action is scheduled to commence on January 19, 2010. The Company believes that the purported consolidated shareholder class action is without merit and intends to defend it vigorously.

In March 2007, one additional lawsuit that relates to the pending shareholder class action was filed. The lawsuit, *Cucci v. Edwards, et al.*, filed in the Superior Court of California, is a shareholder derivative action, purported to be brought by an individual shareholder on behalf of Powerwave, against current and former directors of Powerwave. Powerwave is also named as a nominal defendant. The allegations of the derivative complaint closely resemble those in the class action and pertain to the time period of May 2, 2005 through October 9, 2006. Based on those allegations, the derivative complaint asserts various claims for breach of fiduciary duty, waste of corporate assets, mismanagement, and insider trading under state law. The derivative complaint was removed to federal court, and is also pending before Judge Gutierrez. The derivative action is currently stayed pursuant to a stipulation of the parties that has been entered by the Court. Powerwave disputes the allegations raised in the derivative action and plans to pursue a vigorous defense of this matter.

ITEM 1A. RISK FACTORS

Our business faces significant risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations. If any of the events or circumstances described in the following risks actually occur, our business, results of operations or financial condition could suffer, and the trading price of our Common Stock could decline.

Risks Related to the Business

We rely upon a few customers for the majority of our revenues and the loss of any one of these customers, or a significant loss, reduction or rescheduling of orders from any of these customers, would have a material adverse effect on our business, results of operations and financial condition.

We sell most of our products to a small number of customers, and we expect this will continue. For the nine months ended September 28, 2008, sales to Nokia Siemens accounted for approximately 30% of net sales and sales to Alcatel-Lucent accounted for approximately 17% of our net sales. Nokia and Siemens, who combined their wireless business effective April 1, 2007, accounted for approximately 35% of our revenues in 2007. Alcatel-Lucent accounted for approximately 16% of our net revenues in fiscal 2007. During fiscal years 2006 and 2007, our direct sales to AT&T significantly declined compared to 2005 and such decline contributed to our operating loss and reduced financial performance for fiscal 2006 and 2007. During part of fiscal years 2006 and 2007, Nokia and Siemens significantly reduced their demand, which also contributed to our operating loss and reduced financial performance for both fiscal 2006 and 2007. Nokia Siemens is our largest customer and any decline in this business will have an adverse impact on our business and results of operations. Our future success is dependent upon the continued purchases of our products by a small number of customers such as Nokia Siemens, Alcatel-Lucent, AT&T, and network operator customers and any fluctuations in demand from such customers or other customers would negatively impact our results of operations. If we are unable to broaden our customer base and expand relationships with major wireless original equipment manufacturers and major operators of wireless networks, our business will continue to be impacted by unanticipated demand fluctuations due to our dependence on a small number of customers. Unanticipated demand fluctuations can have a negative impact on our revenues and business, and an adverse effect on our results of operations and financial condition. In addition, our dependence on a small number of major customers exposes us to numerous other risks, including:

- a slowdown or delay in deployment of wireless networks by any one customer could significantly reduce demand for our products;
- reductions in a single customer's forecasts and demand could result in excess inventories;
- consolidation of customers can reduce demand as well as increase pricing pressure on our products due to increased purchasing leverage;
- each of our customers has significant purchasing leverage over us to require changes in sales terms including pricing, payment terms and product delivery schedules;
- direct competition should a customer decide to increase its level of internal designing and/or manufacturing of wireless communication network products; and
- concentration of accounts receivable credit risk, which could have a material adverse effect on our liquidity and financial condition if one of our major customers declared bankruptcy or delayed payment of their receivables.

Our operating results may be adversely impacted by worldwide economic turmoil and credit tightening.

Worldwide economic conditions have recently experienced a significant downturn due to the credit conditions impacted by the subprime mortgage crisis and other factors, including slower economic activity, inflation and deflation concerns, increased energy costs, decreased consumer confidence, reduced corporate profits, reduced or canceled capital spending, adverse business conditions and liquidity concerns. All of these factors combined are having a negative impact on the availability of financial capital which is contributing to a reduction in demand for infrastructure in the wireless communication market. These conditions make it difficult or impossible for our customers and vendors to accurately forecast and plan future business activities, causing domestic and foreign businesses to slow or suspend spending on our products and services. As customers face this challenging economic time, they may find it difficult to gain sufficient credit in a timely manner, which could result in an impairment of their ability to place orders with us or to make timely payments to us for previous purchases. If this continues to occur, our revenues may be significantly reduced, thereby having a negative impact on our own results of operations. In addition, we may be forced to increase our allowance for doubtful accounts and our days of sales outstanding may increase significantly, which would have a negative impact on our cash position, liquidity and financial condition. We cannot predict the timing or the duration of this or any other economic downturn in the economy or the wireless industry.

We have previously experienced significant reductions in demand for our products by certain customers and if this continues, our operating results will be adversely impacted.

We have a history of significant unanticipated reductions in demand that demonstrates the risks related to our customer and industry concentration levels. While our revenues have increased at times during fiscal years 2005, 2006, 2007 and 2008, a significant portion of this increase was due to our various acquisitions. During fiscal years 2006 and 2007, we experienced significantly reduced demand for our products due to lower than anticipated purchasing plans by a major North American wireless network operator. In addition, beginning in the fourth quarter of 2006, when we acquired the wireless infrastructure division of Filtronic, Nokia and Siemens significantly reduced their demand which had a significant negative impact on both Powerwave and the Filtronic Wireless businesses. As a result of this reduction and general slowness in the wireless infrastructure marketplace during the fourth quarter of fiscal 2006, our revenues decreased to \$169.8 million in the fourth quarter of fiscal 2006 from \$249.4 million in the fourth quarter of 2005. This slowdown continued in the first six months of 2007, when our revenues declined from the fourth quarter of 2006. Our revenues also declined when compared to the first six months of 2006, even though the first six months of 2007 included the Filtronic Wireless acquisition. These types of reductions in overall market demand have had a negative impact on our business and results of operations.

Beginning in the fourth quarter of 2008, the global economic turmoil and restricted credit availability began to have an impact on our customers and their demand for our products. In the second half of October 2008, we were notified of order cancellations and delays by a few of our customers as some of our customers reevaluated their purchasing plans in light of the current economic conditions and the constrained credit environment. We currently anticipate that our customers will significantly reduce their demand for wireless infrastructure products in the near term, thereby negatively impacting all companies within our industry. This expected reduction in demand will have a negative impact on our business, liquidity and results of operations.

During fiscal 2005, 2006 and 2007, we also experienced a significant reduction in demand from Nortel. We cannot guarantee that we will be able to continue to generate new demand to offset reductions from existing customers. If we are unable to continue to generate new demand, our revenues will go down and our results of operations will be negatively impacted.

Also, in the past we have experienced significant unanticipated reductions in wireless network operator demand as well as significant delays in demand for 3G, or next generation service based products due to the high projected capital cost of building such networks and market concerns regarding the inoperability of such network protocols. In combination with these market issues, a majority of wireless network operators have, in the past, regularly reduced their capital spending plans in order to improve their overall cash flow. There is also a risk that the general economic slowdown which began in the latter half of 2008 will continue throughout 2009, potentially having a negative impact on network operator deployment spending plans. The impact of any future reduction in capital spending by wireless network operators, coupled with any delays in deployment of wireless networks will result in reduced demand for our products which will have a material adverse effect on our business.

We may incur unanticipated costs as we complete the integration of our business with businesses we recently acquired.

On October 15, 2006, we completed the acquisition of the Filtronic Wireless. This acquisition involved the integration of companies and operations, many of which are based in different countries that previously operated independently. This is a complex, costly and time consuming process. We have limited experience integrating operations as substantial and geographically diverse as those of Filtronic Wireless, and as a result, we may not successfully integrate these operations with our own in a timely or cost-effective manner, or at all. We have previously encountered difficulties and delays in integrating and consolidating operations which have had a negative impact on our results of operations. The failure to successfully integrate these operations could undermine the anticipated benefits and synergies of the acquisition, which could adversely affect our business, financial condition and results of operations. The anticipated benefits and synergies of this acquisition relate to cost savings associated with operational efficiencies, greater economies of scale and revenue enhancement opportunities. However, these anticipated benefits and synergies are based on projections and assumptions, not actual experience, and assume a smooth and successful integration of this business.

In addition, the acquisition of Filtronic's Wireless Infrastructure Division business is one of the largest acquisitions we have undertaken and the complex process of integrating this business requires significant resources. We have incurred and will continue to incur significant costs and commit significant management time in integrating this operation, information, communications and other systems and personnel, among other items. The integration of this business has resulted and will continue to result in cash outflows related to the integration process, such as:

- additional restructuring costs, including the closure of facilities and personnel severance costs;
- fees and expenses of professionals and consultants involved in completing the integration process;
- settling existing liabilities of the acquired businesses;

- integrating and converting technology and manufacturing systems as well as bills of material; and
- integrating personnel.

We may need additional capital in the future and such additional financing may not be available at favorable terms.

At September 28, 2008, we had approximately \$61.3 million of cash, with \$3.6 million of it restricted. In July 2008, we repaid the remaining principal and accrued interest of \$13.7 million on our convertible debt that was due July 2008. We rely upon our ability to generate positive cash flow from operations to fund our business. If we are not able to generate positive cash flow from operations, we may need to utilize sources of financing such as our revolving trade receivables purchase agreement or other sources of cash. While the revolving trade receivables purchase agreement gives us additional sources of liquidity, we may need to raise additional funds through public or private debt or equity financings in order to fund existing operations or to take advantage of opportunities, including more rapid international expansion or acquisitions of complementary businesses or technologies. If we are not successful in integrating our businesses, reducing our inventories and accounts receivable and managing the worldwide aspects of our company, our operations may not generate positive cash flow and we may consume our cash resources faster than we anticipate. Such losses would make it difficult to obtain new sources of financing. In addition, if we do not generate sufficient cash flow from operations, we may need to raise additional funds to repay our \$350.0 million of outstanding convertible debt that we issued in 2004 and 2007. Our ability to secure additional financing or sources of funding is dependent upon numerous factors, including the current outlook of our business, our credit rating and the market price of our common stock, all of which are directly impacted by our ability to increase revenues and generate profits. In addition, the availability of new financing is dependent upon a functioning capital market with financing available on reasonable terms. Given the recent credit crisis, there can be no guarantee that such a market will be available to us. If such a market is not available, we may not be able to raise new financing, which would negatively impact our business and possibly impact our ability to maintain operations as presently conducted.

Our ability to increase revenues and generate profits is subject to numerous risks and uncertainties including the likelihood of decreased revenues in the current macro-economic environment, and any significant decrease in our revenues or profitability could reduce our operating cash flows and erode our existing cash balances. Our ability to reduce our inventories and accounts receivable and improve our cash flow is dependent on numerous risks and uncertainties and if we are not able to reduce our inventories, we will not generate the cash required to operate our business. Our ability to secure additional financing is also dependent upon the credit markets, which have recently come under pressure due to credit concerns arising from the subprime mortgage lending market. If we are unable to secure additional financing or such financing is not available on acceptable terms, we may not be able to fund our operations, take advantage of such opportunities, otherwise respond to unanticipated competitive pressures, or repay our convertible debt.

We may experience unanticipated production disruptions as we close our Maryland manufacturing facility and move production to other company locations and as we transition manufacturing from our Kempele, Finland location to other company locations.

In June 2008, we announced our plans to close our Salisbury, Maryland manufacturing facility and transfer production to other company locations. The Maryland facility ceased production activity by the end of the third quarter of 2008 and will be closed in the fourth quarter of 2008. We are currently completing the process of transferring production to the Company's manufacturing facility in China and some to Santa Ana, California. In October 2008, we announced our plans to discontinue high volume filter production at our Kempele, Finland manufacturing facility as well as reduce the size of the engineering staff at such facility. We will transfer production to other company locations. We anticipate that these restructuring activities will be completed by the first quarter of 2009. The transfer of production involves the shipping of test equipment, the establishment of new production lines and securing raw materials and staffing for production in the new location. There are numerous risks involved in transferring production to another location and any unforeseen delay may result in a disruption of operations or missed orders, which could have a material adverse affect on our results of operations. Some of the risks in transferring production include:

- unanticipated delays in shipping test equipment that is required for production in the new location;
- damages to test equipment in shipping that might result in production start up delays in the new location;
- delays due to customs and import regulations when shipping equipment to China; and
- unanticipated problems in staffing the additional production requirements in China and hiring skilled technicians to staff production lines in the Company's Santa Ana, California location.

We may need to undertake restructuring actions in the future.

We have previously recognized restructuring charges in response to slowdowns in demand for our products and in conjunction with cost cutting measures and measures to improve the efficiency of our operations. As a result of business conditions, we may need to initiate restructuring actions that could result in restructuring charges which could be material.

The potential for increased commodity and energy costs may adversely affect our results of operations.

The world economy experienced significant increases in the price of oil and energy during the first nine months of 2008. Such increases translated into higher freight and transportation costs and, in certain cases, higher raw material supply costs. These higher costs negatively impacted our production costs. We have not been able to pass on these higher costs to our customers and if we insist on raising prices, our customers may curtail their purchases from us. The costs of energy and items directly related to the cost of energy will fluctuate due to factors that may not be predictable, such as the economy, political conditions and the weather. Further increases in energy prices may negatively impact our results of operations.

We have experienced, and will continue to experience, significant fluctuations in sales and operating results from quarter to quarter.

Our quarterly results fluctuate due to a number of factors, including:

- the lack of any obligation by our customers to purchase their forecasted demand for our products;
- cost associated with restructuring activities, including severance, inventory obsolescence and facility closure costs;
- variations in the timing, cancellation, or rescheduling of customer orders and shipments;
- cost associated with consolidating acquisitions;
- high fixed expenses that increase operating expenses, especially during a quarter with a sales shortfall;
- product failures and associated warranty and in-field service support costs; and
- discounts given to certain customers for large volume purchases.

We have regularly generated a large percentage of our revenues in the last month of a quarter. Since we attempt to ship products quickly after we receive orders, we may not always have a significant backlog of unfilled orders at the start of each quarter and we may be required to book a substantial portion of our orders during the quarter in which such orders ship. Our major customers generally have no obligation to purchase forecasted amounts and may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice and without penalty. As a result, we may not be able to accurately predict our quarterly sales. Because our expense levels are partially based on our expectations of future sales, our expenses may be disproportionately large relative to our revenues, and we may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Any shortfall in sales relative to our quarterly expectations or any delay of customer orders would adversely affect our revenues and results of operations.

Order deferrals and cancellations by our customers, declining average sales prices, changes in the mix of products sold, delays in the introduction of new products and longer than anticipated sales cycles for our products have, in the past, adversely affected our results of operations. Despite these factors, we, along with our contract manufacturers, maintain significant finished goods, work-in-progress and raw materials inventory to meet estimated order forecasts. If our customers purchase less than their forecasted orders or cancel or delay existing purchase orders, there will be higher levels of inventory that face a greater risk of obsolescence. If our customers desire to purchase products in excess of the forecasted amounts or in a different product mix, there may not be enough inventory or manufacturing capacity to fill their orders.

Due to these and other factors, our past results are not reliable indicators of our future performance. Future revenues and operating results may not meet the expectations of public market analysts or investors. In either case, the price of our Common Stock could be materially adversely affected.

Our average sales prices have declined, and we anticipate that the average sales prices for our products will continue to decline and negatively impact our gross profit margins.

Wireless service providers are continuing to place pricing pressure on wireless infrastructure manufacturers, which in turn, has resulted in lower selling prices for our products, with certain competitors aggressively reducing prices in an effort to increase their market share. In addition, the consolidation of original equipment manufacturers such as Alcatel-Lucent and Nokia Siemens is concentrating their purchasing power at the surviving entities, which is placing further pricing pressures on the products we sell to such customers. We may be forced to further reduce our prices to such customers, which would have a negative impact on our business and results of operations. If we do not agree to lower our prices as some customers request, those customers may stop purchasing our products, which would significantly impact our business. We believe that the average sales prices of our products will continue to decline for the foreseeable future. The average sales price for our products declined by between 0% to 16% from fiscal 2006 to fiscal 2007 and we expect that this will continue going forward. Since wireless infrastructure manufacturers frequently negotiate supply arrangements far in advance of delivery dates, we must often commit to price reductions for our products before we know how, or if, we can obtain such cost reductions. With ongoing consolidation in our industry, the increased size of many of our customers allows them to exert greater pressure on us to reduce prices. In addition, average sales prices are affected by price discounts negotiated without firm orders for large volume purchases by certain customers. To offset declining average sales prices, we must reduce manufacturing costs and ultimately develop new products with lower costs or higher average sales prices. If we cannot achieve such cost reductions or increases in average selling prices, our gross margins will decline.

Our suppliers, contract manufacturers or customers could become competitors.

Many of our customers internally design and/or manufacture their own wireless communications network products. These customers also continuously evaluate whether to manufacture their own wireless communications network products or utilize contract manufacturers to produce their own internal designs. Certain of our customers regularly produce or design wireless communications network products in an attempt to replace products manufactured by us. In addition, some customers threaten to undertake such activities if we do not agree to their requested price reductions. We believe that all of these practices will continue. In the event that our customers manufacture or design their own wireless communications network products, such customers could reduce or eliminate their purchases of our products, which would result in reduced revenues and would adversely impact our results of operations and liquidity. Wireless infrastructure equipment manufacturers with internal manufacturing capabilities, including many of our customers, could also sell wireless communications network products externally to other manufacturers, thereby competing directly with us. In addition, our suppliers or contract manufacturers may decide to produce competing products directly for our customers and, effectively, compete against us. If, for any reason, our customers produce their wireless communications network products internally, increase the percentage of their internal production, require us to participate in joint venture manufacturing with them, require us to reduce our prices, engage our suppliers or contract manufacturers to manufacture competing products, or otherwise compete directly against us, our revenues would decrease, which would adversely impact our results of operations.

Our success is tied to the growth of the wireless services communications market and our future revenue growth is dependent upon the expected increase in the size of this market.

Our revenues come from the sale of wireless communications network products and coverage solutions. Our future success depends solely upon the growth and increased availability of wireless communications services. Wireless communications services may not grow at a rate fast enough to create demand for our products, as we experienced during fiscal 2003 and again in fiscal 2006 and fiscal 2007. Some of our network operator customers rely on credit to finance the build-out or expansion of their wireless networks. The current credit environment may result in a reduction of demand from some of our customers in the near term. During fiscal 2006 and into fiscal 2007, a major North American wireless network operator significantly reduced demand for new products. In addition, during the same period, several major equipment manufacturers began a process of consolidating their operations, which significantly reduced their demand for products. During fiscal 2003, wireless network operators reduced or delayed capital spending on wireless networks in order to preserve their operating cash and improve their balance sheets. Such reduced spending on wireless networks had a negative impact on our operating results. If wireless network operators delay or reduce levels of capital spending, our operating results will be negatively impacted.

Our reliance on contract manufacturers exposes us to risks of excess inventory or inventory carrying costs.

If our contract manufacturers are unable to timely respond to changes in customer demand, we may be unable to produce enough products to respond to sudden increases in demand resulting in lost revenues, or alternatively, in the case of order cancellations or decreases in demand, we may be liable for excess or obsolete inventory or cancellation charges resulting from contractual purchase commitments that we have with our contract manufacturers. We regularly provide rolling forecasts of our requirements to our contract manufacturers for planning purposes, pursuant to our agreements, a portion of which is binding upon us. Additionally, we are committed to accept delivery on the forecasted terms for a portion of the rolling forecast. Cancellations of orders or changes to the forecasts provided to any of our contract manufacturers may result in cancellation costs payable by us. In the past, we have been required to take delivery of materials from our suppliers and subcontractors that were in excess of our requirements and we have previously recognized charges and expenses related to such excess material. We expect that we will incur such costs in the future.

By using contract manufacturers, our ability to directly control the use of all inventories is reduced since we do not have full operating control over their operations. If we are unable to accurately forecast demand for our contract manufacturers and manage the costs associated with our contract manufacturers, we may be required to pay inventory carrying costs or purchase excess inventory. If we or our contract manufacturers are unable to utilize such excess inventory in a timely manner, and are unable to sell excess components or products due to their customized nature, our operating results and liquidity would be negatively impacted.

Our acquisition of Filtronic's Wireless Infrastructure Division business, as well as future acquisitions, or strategic alliances, may present risks, and we may be unable to achieve the financial and strategic goals intended at the time of any acquisition or strategic alliance.

On October 15, 2006, we completed the Filtronic Wireless acquisition. In the past, we have acquired and made investments in other companies, products and technologies and entered into strategic alliances with other companies. We continually evaluate these types of opportunities. In addition to the Filtronic Wireless acquisition, we may acquire or invest in other companies, products or technologies, or we may enter into joint ventures, mergers or strategic alliances with other companies. Such transactions subject us to numerous risks, including the following:

- difficulty integrating the operations, technology and personnel of the acquired company;
- inability to achieve the anticipated financial and strategic benefits of the specific acquisition or strategic alliance;
- significant additional warranty costs due to product failures and or design differences that were not identified during due diligence, and such costs could result in charges to earnings if they are not recoverable from the seller;
- inability to retain key technical and managerial personnel from the acquired company;
- difficulty in maintaining controls, procedures and policies during the transition and integration process;
- diversion of our management's attention from other business concerns;
- failure of our due diligence process to identify significant issues, including issues with respect to product quality, product architecture, legal and financial contingencies, and product development; and
- significant exit charges if products acquired in business combinations are unsuccessful.

If we are unable to effectively manage these risks as part of any acquisition or joint venture, our business would be adversely affected.

We depend on single sources or limited sources for key components and products, which exposes us to risks related to product shortages or delays, as well as potential product quality issues, all of which could increase the cost of our products thereby reducing our operating profits.

A number of our products and the parts used in our products are available from only one or a limited number of outside suppliers due to unique component designs, as well as certain quality and performance requirements. To take advantage of volume pricing discounts, we also purchase certain products, and along with our contract manufacturers, purchase certain customized components from single or limited sources. We have experienced, and expect to continue to experience, shortages of single-source and limited-source components. Shortages have compelled us to adjust our product designs and production schedules and have caused us to miss customer requested delivery dates. To date, missed customer delivery dates have not had a material adverse impact on our financial results. If single-source or limited-source components become unavailable in sufficient quantities in the desired time periods, are discontinued or are available only on unsatisfactory terms, we would be required to purchase comparable components from other sources and may be required to redesign our products to use such components which could delay production and delivery of our products. If production and delivery of our products are delayed such that we do not meet the agreed upon delivery dates of our customers, such delays could result in lost revenues due to customer cancellations, as well as potential financial penalties payable to our customers. Any such loss of revenue or financial penalties could have a material adverse effect on our results of operations.

As part of the Filtronic Wireless acquisition, we are purchasing certain components from Filtronic plc for use in certain products included in the acquisition. These components, currently purchased from the Filtronic plc subsidiary, Filtronic Compound Semiconductors Limited, are utilized in the manufacture of certain filter products. Filtronic Compound Semiconductors Limited was acquired by RF Micro Devices Inc. in February of 2008. If we are unable to obtain such components in the future, we would have to redesign certain products and find an alternative source of supply, which would increase our costs and have a negative impact on our business and results of operations. We may also be subject to penalties if we cannot find a timely replacement and are unable to meet customer delivery requirements.

Our reliance on certain single-source and limited-source components and products also exposes us and our contract manufacturers to quality control risks if these suppliers experience a failure in their production process or otherwise fail to meet our quality requirements. A failure in a single-source or limited-source component or product could force us to repair or replace a product utilizing replacement components. If we cannot obtain comparable replacements or redesign our products, we could lose customer orders or incur additional costs, which would have a material adverse effect on our results of operations.

We may fail to develop products that are sufficiently manufacturable, which could negatively impact our ability to sell our products.

Manufacturing our products is a complex process that requires significant time and expertise to meet customers' specifications. Successful manufacturing is substantially dependent upon the ability to assemble and tune these products to meet specifications in an efficient manner. In this regard, we largely depend on our staff of assembly workers and trained technicians at our internal manufacturing operations in the U.S., Europe and Asia, as well as our contract manufacturers' staff of assembly workers and trained technicians located in Asia and Europe. If we cannot design our products to minimize the manual assembly and tuning process, or if we or our contract manufacturers lose a number of trained assembly workers and technicians or are unable to attract additional trained assembly workers or technicians, we may be unable to have our products manufactured in a cost effective manner.

We may fail to develop products that are of adequate quality and reliability, which could negatively impact our ability to sell our products.

We have had quality problems with our products including those we have acquired in recent business acquisitions. We may have similar product quality problems in the future. We have replaced components in some products and replaced entire products in accordance with our product warranties. We believe that our customers will demand that our products meet increasingly stringent performance and reliability standards. If we cannot keep pace with technological developments, evolving industry standards and new communications protocols, if we fail to adequately improve product quality and meet the quality standards of our customers, or if our contract manufacturers fail to achieve the quality standards of our customers, we risk losing business which would negatively impact our results of operations. Design problems could also damage relationships with existing and prospective customers and could limit our ability to market our products to large wireless infrastructure manufacturers, many of which build their own products and have stringent quality control standards. In addition, we have incurred significant costs addressing quality issues from products that we have acquired in certain of our acquisitions. We are also required to honor certain warranty claims for products that we have acquired in our recent acquisitions. While we intend to seek recovery of amounts that we have paid, or may pay in the future, to resolve warranty claims through indemnification from the prior manufacturer, such process can be costly and time consuming.

If we are unable to hire and retain highly qualified technical and managerial personnel, we may not be able to sustain or grow our business.

Competition for personnel, particularly qualified engineers, is intense. The loss of a significant number of such persons, as well as the failure to recruit and train additional technical personnel in a timely manner, could have a material adverse effect on our business, results of operations and financial condition. The departure of any of our management and technical personnel, the breach of their confidentiality and non-disclosure obligations to Powerwave or the failure to achieve our intellectual property objectives may also have a material adverse effect on our business.

We believe that our success depends upon the knowledge and experience of our management and technical personnel and our ability to market our existing products and to develop new products. Our employees are generally employed on an at-will basis and do not have non-compete agreements. Therefore, we have had, and may continue to have, employees leave us and go to work for competitors.

There are significant risks related to our internal and contract manufacturing operations in Asia.

As part of our manufacturing strategy, we utilize contract manufacturers in China, Europe, Singapore and Thailand. We also maintain our own manufacturing operations in China, Finland and Estonia, as well as the United States. We closed our Costa Rica manufacturing facility in December 2006 and sold our Hungary manufacturing operations in December 2007.

The Chinese legal system lacks transparency, which gives the Chinese central and local government authorities a higher degree of control over our business in China than is customary in the United States and makes the process of obtaining necessary regulatory approval in China inherently unpredictable. In addition, the protection accorded our proprietary technology and know-how under the Chinese and Thai legal systems is not as strong as in the United States and, as a result, we may lose valuable trade secrets and competitive advantage. Also, manufacturing our products and utilizing contract manufacturers, as well as other suppliers throughout the Asia region, exposes our business to the risk that our proprietary technology and ownership rights may not be protected or enforced to the extent that they may be in the United States.

Although the Chinese government has been pursuing economic reform and a policy of welcoming foreign investments during the past two decades, it is possible that the Chinese government will change its current policies in the future, making continued business operations in China difficult or unprofitable.

In September 2006, Thailand experienced a military coup which overturned the existing government. To date, this has not had a long-term impact on our operations in Thailand. If there were to be future coups or some other type of political unrest, such activity may impact the ability to manufacture products in this region and may prevent shipments from entering or leaving the country. Any such disruptions could have a material negative impact on our operations and financial results.

We require air or ocean transport to ship products built in our various manufacturing locations to our customers. High energy costs have increased our transportation costs which has had a negative impact on our production costs. Transportation costs would also escalate if there were a shortage of air or ocean cargo space and any significant increase in transportation costs would cause an increase in our expenses and negatively impact our results of operations. In addition, if we are unable to obtain cargo space or secure delivery of components or products due to labor strikes, lockouts, work slowdowns or work stoppages by longshoremen, dock workers, airline pilots or other transportation industry workers, our delivery of products could be adversely delayed.

The initial sales cycle associated with our products is typically lengthy, often lasting from nine to eighteen months, which could cause delays in forecasted sales and cause us to incur substantial expenses before we record any associated revenues.

Our customers normally conduct significant technical evaluations, trials and qualifications of our products before making purchase commitments. This qualification process involves a significant investment of time and resources from both our customers and us in order to ensure that our product designs are fully qualified to perform as required. The qualification and evaluation process, as well as customer field trials, may take longer than initially forecasted, thereby delaying the shipment of sales forecasted for a specific customer for a particular quarter and causing our operating results for the quarter to be less than originally forecasted. Such a sales shortfall would reduce our profitability and negatively impact our results of operations.

We conduct a significant portion of our business internationally, which exposes us to increased business risks.

For the nine months ended September 28, 2008, and fiscal years 2007, 2006, and 2005, international revenues (excluding North American sales) accounted for approximately 69%, 73%, 72%, and 62% of our net sales, respectively. There are many risks that currently impact, and will continue to impact our international business and multinational operations, including the following:

- compliance with multiple and potentially conflicting regulations in Europe, Asia and North and South America, including export requirements, tariffs, import duties and other trade barriers, as well as health and safety requirements;
- potential labor strikes, lockouts, work slowdowns and work stoppages at U.S. and international ports;
- differences in intellectual property protections throughout the world;
- difficulties in staffing and managing foreign operations in Europe, Asia and South America, including dealings with unionized labor pools in Europe and in Asia;
- longer accounts receivable collection cycles in Europe, Asia and South America;
- currency fluctuations and resulting losses on currency translations;
- terrorists attacks on American companies;
- economic instability, including inflation and interest rate fluctuations, such as those previously seen in South Korea and Brazil;
- competition for foreign based suppliers throughout the world;
- overlapping or differing tax structures;
- the complexity of global tax and transfer pricing rules and regulations and our potential inability to benefit/offset losses in one tax jurisdiction with income from another;
- cultural and language differences between the United States and the rest of the world; and
- political or civil turmoil.

Any failure on our part to manage these risks effectively would seriously reduce our competitiveness in the wireless infrastructure marketplace.

Protection of our intellectual property is limited.

We rely upon trade secrets and patents to protect our intellectual property. We execute confidentiality and non-disclosure agreements with certain employees and our suppliers, as well as limit access to and distribution of our proprietary information. We have an ongoing program to identify and file applications for U.S. and other international patents.

The departure of any of our management and technical personnel, the breach of their confidentiality and non-disclosure obligations to us, or the failure to achieve our intellectual property objectives could have a material adverse effect on our business, results of operations and financial condition. We do not have non-compete agreements with our employees who are generally employed on an at-will basis. Therefore, we have had, and may continue to have, employees leave us and go to work for competitors. If we are not successful in prohibiting the unauthorized use of our proprietary technology or the use of our processes by a competitor, our competitive advantage may be significantly reduced which would result in reduced revenues.

We are at risk of third-party claims of infringement that could harm our competitive position.

We have received third-party claims of infringement in the past and have been able to resolve such claims without having a material impact on our business. As the number of patents, copyrights and other intellectual property rights in our industry increases, and as the coverage of these rights and the functionality of the products in the market further overlap, we believe that we may face additional infringement claims. Such claims, whether or not valid, could result in substantial costs and diversion of our resources. A third party claiming infringement may also obtain an injunction or other equitable relief, which could effectively block the distribution or sale of allegedly infringing products, which would adversely affect our customer relationships and negatively impact our revenues.

The communications industry is heavily regulated. We must obtain regulatory approvals to manufacture and sell our products, and our customers must obtain approvals to operate our products. Any failure or delay by us or any of our customers to obtain such approvals could negatively impact our ability to sell our products.

Various governmental agencies have adopted regulations that impose stringent radio frequency emissions standards on the communications industry. Future regulations may require that we alter the manner in which radio signals are transmitted or otherwise alter the equipment transmitting such signals. The enactment by governments of new laws or regulations or a change in the interpretation of existing regulations could negatively impact the market for our products.

The increasing demand for wireless communications has exerted pressure on regulatory bodies worldwide to adopt new standards for such products, generally following extensive investigation and deliberation over competing technologies. The delays inherent in this type of governmental approval process have caused, and may continue to cause, the cancellation, postponement or rescheduling of the installation of communications systems by our customers. These types of unanticipated delays would result in delayed or cancelled customer orders.

We may need to recognize an additional impairment to our goodwill.

For the fourth quarter of fiscal 2007, we recognized an impairment of our goodwill in the amount of \$151.7 million caused by the decrease in the market value of our common stock, which significantly reduced our market value. Beginning in the fourth quarter of 2008, the global economic crisis has impacted the stock prices of all companies, including ours. If the price of our common stock continues to be impacted, we may have an impairment in the value of our goodwill. If our revenues do not grow or reach anticipated levels or if our Common Stock continues to trade at current low levels, it is possible that in the near future an additional indicator of impairment of our goodwill may exist and we may need to recognize another impairment in our goodwill. A large portion of our value is dependent upon continued future growth in demand for our products. If such growth does not materialize or our forecasts and internal expectations are significantly reduced, we will likely have to recognize an impairment in the value of our goodwill. At September 28, 2008, goodwill totaled \$346.2 million, which equates to approximately 98% of our total equity. Such an impairment could result in a significant loss for the period in which such impairment occurs.

The wireless communications infrastructure equipment industry is extremely competitive and is characterized by rapid technological change, frequent new product development, rapid product obsolescence, evolving industry standards and significant price erosion over the life of a product. If we are unable to compete effectively, our business, results of operations and financial condition would be adversely affected.

Our products compete on the basis of the following characteristics:

- performance;
- functionality;
- reliability;
- pricing;
- quality;

- designs that can be efficiently manufactured in large volumes;
- time-to-market delivery capabilities; and
- compliance with industry standards.

If we fail to address the above factors, there could be a material adverse effect on our business, results of operations and financial condition.

Our current competitors include CommScope, Inc., Fujitsu Limited, Hitachi Kokusai Electric Inc., Japan Radio Co., Ltd., Kathrein-Werke KG, Mitsubishi Electric Corporation, and Radio Frequency Systems, in addition to a number of privately held companies throughout the world, subsidiaries of certain multinational corporations and the internal manufacturing operations and design groups of the leading wireless infrastructure manufacturers such as Alcatel-Lucent, Ericsson, Huawei, Motorola, Nokia Siemens, Nortel, and Samsung. Some competitors have adopted aggressive pricing strategies in an attempt to gain market share, which in return, has caused us to lower our prices in order to remain competitive. Such pricing actions have had an adverse effect on our financial condition and results of operations. In addition, some competitors have significantly greater financial, technical, manufacturing, sales, marketing and other resources than we do and have achieved greater name recognition for their products and technologies than we have. If we are unable to successfully increase our market penetration or our overall share of the wireless communications infrastructure equipment market, our revenues will decline, which would negatively impact our results of operations.

Our failure to enhance our existing products or to develop and introduce new products that meet changing customer requirements and evolving technological standards could have a negative impact on our ability to sell our products.

To succeed, we must improve current products and develop and introduce new products that are competitive in terms of price, performance and quality. These products must adequately address the requirements of wireless infrastructure manufacturing customers and end-users. To develop new products, we invest in the research and development of wireless communications network products and coverage solutions. We target our research and development efforts on major wireless network deployments worldwide, which cover a broad range of frequency and transmission protocols. In addition, we are currently working on products for next generation networks, as well as development projects for products requested by our customers and improvements to our existing products. The deployment of a wireless network may be delayed which could result in the failure of a particular research or development effort to generate a revenue producing product. Additionally, the new products we develop may not achieve market acceptance or may not be able to be manufactured cost effectively in sufficient volumes. Our research and development efforts are generally funded internally and our customers do not normally pay for our research and development efforts. These costs are expensed as incurred. Therefore, if our efforts are not successful at creating or improving products that are purchased by our customers, there will be a negative impact on our operating results due to high research and development expenses.

Our business is subject to the risks of earthquakes and other natural catastrophic events, and to interruptions by man made problems such as computer viruses or terrorism.

Our corporate headquarters and a large portion of our U.S. based research and development operations are located in the State of California in regions known for seismic activity. In addition, we have production facilities and have outsourced some of our production to contract manufacturers in Asia, another region known for seismic activity. A significant natural disaster, such as an earthquake in either of these regions, could have a material adverse effect on our business, operating results and financial condition. In addition, despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins, and similar disruptions from unauthorized tampering with our computer systems. Any such event could have a material adverse effect on our business.

Our stock price currently does not meet the minimum bid price for continued listing on the Nasdaq Global Select Market. Our ability to publicly or privately sell equity securities and the liquidity of our common stock could be adversely affected if we are delisted from the Nasdaq Global Select Market or if we are unable to transfer our listing to another stock market.

Recently, the minimum bid price for our common stock listed on the Nasdaq Global Select Market has closed below the \$1.00. The Nasdaq MarketPlace Rules provide that one of the continuing listing requirements for an issuer's common stock is having a minimum bid price of \$1.00 per share. Nasdaq has announced a moratorium on the enforcement of this minimum bid requirement that is effective through January 16, 2009. If our stock price does not increase above \$1.00 per share, we risk being delisted from the Nasdaq Global Select Market.

If our common stock is delisted by Nasdaq, our common stock may be eligible to trade on the OTC Bulletin Board maintained by Nasdaq, another over-the-counter quotation system, or on the pink sheets where an investor may find it more difficult to dispose of or obtain accurate quotations as to the market value of our common stock, although there can be no assurance that our common stock will be eligible for trading on any alternative exchanges or markets.

In addition, delisting from Nasdaq could adversely affect our ability to raise additional capital through the public or private sale of equity securities. Delisting from Nasdaq also would make trading our common stock more difficult for investors, potentially leading to further declines in our share price and inhibiting a stockholder's ability to liquidate all or part of their investment in Powerwave.

The price of our Common Stock has been, and may continue to be, volatile and our shareholders may not be able to resell shares of our Common Stock at or above the price paid for such shares.

The price for shares of our Common Stock has exhibited high levels of volatility with significant volume and price fluctuations, which makes our Common Stock unsuitable for many investors. For example, for the two years ended December 30, 2007, the closing price of our Common Stock ranged from a high of \$15.33 to a low of \$3.90 per share. During the first three quarters of 2008, the closing price of our Common Stock reached a low of \$2.18 per share. The fluctuations in the price of our Common Stock have occasionally been unrelated to our operating performance. These broad fluctuations may negatively impact the market price of shares of our Common Stock. The price of our Common Stock has also been influenced by:

- fluctuations in our results of operations or the operations of our competitors or customers;
- failure of our results of operations and sales revenues to meet the expectations of stock market analysts and investors;
- reductions in wireless infrastructure demand or expectations of future wireless infrastructure demand by our customers;
- delays or postponement of wireless infrastructure deployments, including new 3G deployments;
- changes in stock market analyst recommendations regarding us, our competitors or our customers;
- the timing and announcements of technological innovations, new products or financial results by us or our competitors;
- lawsuits attempting to allege misconduct by the Company and its officers;
- increases in the number of shares of our common stock outstanding; and
- changes in the wireless industry.

In addition, the potential conversion of our outstanding convertible debt instruments would add approximately 36.5 million shares of Common Stock to our outstanding shares. Such an increase may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, our Common Stock. Any potential future sale or issuance of shares of our Common Stock or instruments convertible or exchangeable into shares of our Common Stock, or the perception that such sales or transactions could occur, could adversely affect the market price of our Common Stock.

Based on the above, we expect that our stock price will continue to be extremely volatile. Therefore, we cannot guarantee that our investors will be able to resell their Powerwave shares at or above their acquisition price.

Failure to maintain effective internal controls over financial reporting could adversely affect our business and the market price of our Common Stock.

Pursuant to rules adopted by the SEC under the Sarbanes-Oxley Act of 2002, we are required to assess the effectiveness of our internal controls over financial reporting and provide a management report on our internal controls over financial reporting in all annual reports. This report contains, among other matters, a statement as to whether or not our internal controls over financial reporting are effective and the disclosure of any material weaknesses in our internal controls over financial reporting identified by management. Section 404 also requires our independent registered public accounting firm to audit management's report.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a framework for companies to assess and improve their internal control systems. Auditing Standard No. 5 provides the professional standards and related performance guidance for auditors to report on management's assessment of the effectiveness of internal control over financial reporting under Section 404. Management's assessment of internal controls over financial reporting requires management to make subjective judgments and, particularly because Section 404 and Auditing Standard No. 5 are newly effective, some of the judgments will be in areas that may be open to interpretation. Therefore, our management's report on our internal controls over financial reporting may be difficult to prepare, and our auditors may not agree with our management's assessment.

While we currently believe our internal controls over financial reporting are effective, we are required to comply with Section 404 on an annual basis. If, in the future, we identify one or more material weaknesses in our internal controls over financial reporting during this continuous evaluation process, our management may not be able to assert such internal controls are effective. Although we currently anticipate being able to continue to satisfy the requirements of Section 404 in a timely fashion, we cannot be certain as to the timing of completion for our future evaluation, testing and any required remediation due in large part to the fact that there are limited precedents available by which to measure compliance with these new requirements. In addition, we are in the process of replacing certain portions of our enterprise resource planning system and such system replacement during fiscal 2008 may create unanticipated delays in completing the documentation and testing requirements of Section 404. Therefore, if we are unable to assert that our internal controls over financial reporting are effective in the future, or if our auditors are unable to attest that our management's report is fairly stated or they are unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would have an adverse effect on our business and the market price of our Common Stock.

Our shareholder rights plan and charter documents could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our shareholders.

Our shareholder rights plan and certain provisions of our certificate of incorporation and Delaware law are intended to encourage potential acquirers to negotiate with us and allow our Board of Directors the opportunity to consider alternative proposals in the interest of maximizing shareholder value. However, such provisions may also discourage acquisition proposals or delay or prevent a change in control, which in turn, could harm our stock price and our shareholders.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table details the repurchases that were made during the three months ended September 28, 2008.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plan</u> (In thousands)	<u>Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan</u> (In thousands)
June 30 – August 3	—	—	—	—
August 4 – August 31	8,492 ⁽¹⁾	\$ 4.99	—	—
September 1 – September 28	—	—	—	—

⁽¹⁾ During August, the total number of shares purchased consists of shares surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The 2008 Annual Meeting of Shareholders of the Company was held on August 12, 2008. The following matters were submitted to a vote of the Company's shareholders:

1. Election of Directors. The following directors were elected to hold office until the 2009 Annual Meeting and until their successors have been elected and have qualified to hold such office. The results of the election for each director are as follows:

<u>Directors</u>		<u>Number of Votes</u>
Moiz M. Beguwala	For	110,872,684
	Withheld	1,764,577
Ken J. Bradley	For	111,016,394
	Withheld	1,620,867
Ronald J. Buschur	For	110,978,388
	Withheld	1,658,873
John L. Clendenin	For	111,007,118
	Withheld	1,630,143
David L. George	For	110,993,949
	Withheld	1,643,312
Eugene L. Goda	For	110,988,079
	Withheld	1,649,182
Carl W. Neun	For	110,890,621
	Withheld	1,746,640

2. Approval of amendment to the Extended and Restated 1996 Employee Stock Purchase Plan. The amendment was approved and the voting results are as follows:

	<u>Number of Votes</u>
For	88,444,830
Against	1,073,481
Abstentions	678,986
Broker Non-Votes	22,439,964

3. Ratification of the appointment of Deloitte & Touche LLP as Independent Registered Public Accounting Firm for 2008. The ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2008 was approved. The voting results are as follows:

	<u>Number of Votes</u>
For	111,831,741
Against	654,697
Abstentions	150,815
Broker Non-Votes	N/A

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The following exhibits are filed as part of this report:

Exhibit Number	Description
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.*
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.*

* In accordance with Item 601(b)(32)(ii) of Regulation S-K, this exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities and Exchange Act of 1934 or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 6, 2008

POWERWAVE TECHNOLOGIES, INC.

By: /s/ KEVIN T. MICHAELS

Kevin T. Michaels
Chief Financial Officer

