

Earnings Per Share Reconciliation



ARRIS GROUP, INC.
PRELIMINARY SUPPLEMENTAL NET INCOME (LOSS) RECONCILIATION
(in thousands, except per share data)

	Year 2009		Year 2008	
	Unaudited		Unaudited	
	Amount	Per Diluted Share	Amount	Per Diluted Share ⁽¹⁾
Net income (loss)	\$ 90,769	0.71	\$ (129,639)	(1.03)
Highlighted items:				
<i>Impacting gross margin:</i>				
Stock compensation expense	1,446	0.01	979	0.01
<i>Impacting operating expenses:</i>				
Integration costs	-	-	427	0.00
Acquisition costs, restructuring and other	3,977	0.03	1,211	0.01
Amortization of intangible assets	37,361	0.29	44,195	0.35
Stock compensation expense	14,475	0.11	10,298	0.08
Goodwill Impairment	-	-	209,297	1.66
<i>Impacting other (income) / expense:</i>				
Non-cash interest expense	11,135	0.09	10,735	0.09
Gain on repurchase of debt	(4,152)	(0.03)	-	-
<i>Impacting income tax expense:</i>				
Adjustments of income tax valuation allowances and research & development credits and goodwill impairment	(3,133)	(0.02)	(26,255)	(0.21)
Tax related to highlighted items above, except for goodwill impairment	(22,305)	(0.17)	(23,991)	(0.19)
Total highlighted items	38,804	0.30	226,896	1.80
Net income excluding highlighted items	\$ 129,573	\$ 1.01	\$ 97,257	\$ 0.77
Weighted average common shares - diluted		128,085		126,277

(1) Although net income for these periods is a loss and inclusion of options would be antidilutive, weighted average diluted shares are used in this calculation as the earnings excluding highlighted items is net income.

With respect to stock compensation expense, ARRIS records non-cash compensation expense related to grants of options and restricted stock. Depending upon the size, timing and the terms of the grants, this non-cash compensation expense may vary significantly. With respect to amortization of intangibles, the intangibles being amortized relate to our acquisitions. The acquisition costs, restructuring, and other items reflect that, although they or similar items might recur, are of a nature and magnitude that identifying them separately provides investors with a greater ability to project ARRIS' future performance. With respect to the convertible debt non-cash interest, ARRIS records non-cash interest expense related to the 2013 convertible debt as a result of the adoption of FSP ABP 14-1 on January 1, 2009. Disclosing the non-cash piece provides investors with the information regarding interest that will not be paid out in cash. During the first quarter of 2009, ARRIS repurchased a portion of their convertible debt and recognized a gain of approximately \$4.2 million. In the first and third quarter of 2009, a tax expense of approximately \$1.3 million was recorded for state valuation allowances, research and development tax credits and provision to return differences resulting from filing of the 2008 tax return. In the fourth quarter of 2009, a tax benefit of approximately \$4.6 million was recorded for changes to foreign valuation allowances relating to historic net operating losses in the various jurisdictions. During the first quarter of 2008, ARRIS recorded incremental costs of \$0.4 million as a result of the C-COR integration. In the third quarter of 2008, ARRIS recorded a net tax benefit of \$1.6 million related to provision to return differences resulting from the filing of the 2007 tax return. Lastly, during the fourth quarter 2008, ARRIS recorded an impairment on goodwill of \$209.3 million and the related deferred tax adjustment of \$24.7 million.

In assessing operating performance and preparing budgets and forecasts, ARRIS' management considers performance after making these adjustments and believes that providing investors with the same information

Operating Income & Return on Invested Capital Reconciliation



ARRIS GROUP, INC.

SUPPLEMENTAL OPERATING INCOME AND RETURN ON INVESTED CAPITAL RECONCILIATIONS

(Unaudited)

(in thousands)

	2004	2005	2006 ⁽¹⁾	2007 ⁽¹⁾	2008 ⁽¹⁾	2009	
Operating Income (Loss) as reported		53,728	95,993	93,912	(118,113)	148,747	
Highlighted items:							
Write-off of discontinued inventory				1,046	-	-	
Stock compensation expense		6,914	9,423	10,903	11,277	15,921	
Gains related to previously written-off accts receivable			(1,573)	(377)	-	-	
Write-off of IPR&D				6,120	-	-	
Acquisition costs, restructuring, and integration costs		1,040	2,210	1,836	1,638	3,977	
Amortization of intangible assets		1,212	633	2,278	44,195	37,361	
Goodwill Impairment					209,297		
Impairment of long-lived assets		291	-				
Total highlighted items:		9,457	10,693	21,806	266,407	57,259	
Operating Income excluding highlighted items		63,185	106,686	115,718	148,294	206,006	
Effective Tax Rate		35%	35%	35%	35%	35%	
Operating Income as reported after tax		34,923	62,395	61,043	(76,773)	96,686	
Operating Income excluding highlighted items after tax		41,070	69,346	75,217	96,391	133,904	
Total Debt (long term & short term)	75,000	-	276,000	311,305	261,196	261,174	
Shareholder Equity	281,301	425,717	647,072	1,071,425	873,468	991,369	
		2005	2006	2007	2008	2009	5 year Trailing
Return on invested capital ⁽²⁾		8.9%	9.3%	5.3%	-6.1%	8.1%	5.1%
Adjusted return on invested capital ⁽³⁾		10.5%	10.3%	6.5%	7.7%	11.2%	9.2%

⁽¹⁾ Restated for adoption of new accounting standards related to convertible debt instruments

⁽²⁾ Defined as operating income after tax / (average total debt + average book value of shareholders equity)

⁽³⁾ Defined as adjusted operating income after tax / (average total debt + average book value of shareholders equity)



Return on Assets Reconciliation

ARRIS GROUP, INC.

SUPPLEMENTAL RETURN ON ASSETS RECONCILIATIONS

(Unaudited)

(in thousands)

	2004	2005	2006 ⁽¹⁾	2007 ⁽¹⁾	2008 ⁽¹⁾	2009	
Net income (loss) as reported		51,483	140,839	92,347	(129,639)	90,769	
Highlighted items:							
Write-off of discontinued inventory				1,046	-	-	
Stock compensation expense		6,914	9,423	10,903	11,277	15,921.00	
receivable			(1,573)	(707)	-	-	
Write-off of IPR&D				6,120	-	-	
Acquisition costs, restructuring, and integration costs		832	1,989	1,836	1,638	3,977	
Amortization of intangible assets		1,212	633	2,278	44,195	37,361	
Goodwill Impairment				-	209,297	-	
Impairment of long-lived assets		291	-	-	-	-	
Non-cash interest expense			2,362	9,925	10,735	11,136	
expenses				(22,835)	-	-	
Gain on investments		2,372		(4,864)	-	-	
Gain on repurchase of debt / debt retirement		71		-	-	(4,152)	
Tax related to items above				1,422	(24,078)	(22,305)	
Adjustments of income tax valuation allowances, R&D credits, and other discrete tax items			(38,791)	(7,959)	(26,255)	(3,133)	
Total highlighted items:		11,692	(25,957)	(2,835)	226,809	38,805	
Net income excluding highlighted items:		63,175	114,882	89,512	97,170	129,574	
Total Assets	450,678	529,403	1,012,040	1,557,193	1,350,321	1,475,616	
		2005	2006	2007	2008	2009	5 year Trailing
Return on assets ⁽²⁾		10.5%	18.3%	7.2%	-8.9%	6.4%	6.7%
Adjusted return on assets ⁽³⁾		12.9%	14.9%	7.0%	6.7%	9.2%	10.1%

⁽¹⁾ Restated for adoption of new accounting standards related to convertible debt instruments

⁽²⁾ Defined as net income / average total assets

⁽³⁾ Defined as adjusted net income / average total assets

EBITDA Reconciliation



ARRIS GROUP, INC.
SUPPLEMENTAL EBITDA RECONCILIATION
(Unaudited)
(in thousands, except per share data)

	2005	2006 ⁽¹⁾	2007 ⁽¹⁾	2008 ⁽¹⁾	2009
Net income (loss) as reported	51,483	140,839	92,347	(129,639)	90,769
Income Tax Expense	513	(35,682)	37,370	2,375	43,849
Interest Income	(3,100)	(11,174)	(24,776)	(7,224)	(1,409.00)
Interest Expense	2,101	3,294	16,188	17,123	16,942
Amort of Def Finance Fees	305	95	764	761	728
Depreciation	10,529	9,787	10,852	20,915	20,862
Amort of Intangibles	1,212	633	2,278	44,195	37,361
EBITDA	63,043	107,792	135,023	(51,494)	209,102
EBITDA per share	0.64	0.98	1.19	-0.41	1.63
Highlighted items:					
Stock Comp	6,914	9,423	10,903	11,277	15,921.00
Restructuring	832	1,989	421	1,211	3,701.00
Goodwill Impairment	-	-	-	209,297	-
Gain/Loss on Debt Conversion	-	-	-	-	(4,152.00)
Gains related to previously written-off accts rec	-	(1,573)	(707)	-	-
Write-off of IPR&D	-	-	6,120	-	-
Gain related to terminated acquisition, net of expenses	-	-	(22,835)	-	-
Gain /Loss on investments	2,372	-	(4,864)	-	-
Impairment of long-lived assets	291	-	-	-	-
Gain/Loss on Debt Retirement	71	-	-	-	-
Write-off of discontinued inventory			1,046		
Total highlighted items:	10,480	9,839	(9,916)	221,785	15,470
EBITDA excluding highlighted items	73,523	117,631	125,107	170,291	224,572
Adjusted EBITDA per share	0.75	1.07	1.11	1.35	1.75
Average Share Count (diluted)	98,264	109,490	113,027	126,277	128,085

⁽¹⁾ Restated for adoption of new accounting standards related to convertible debt instruments