

ARRIS GROUP, INC.
PRELIMINARY SUPPLEMENTAL SALES & NET INCOME RECONCILIATION
(unaudited)

(in thousands, except per share data)

	Q2 2013		Q1 2014		Q2 2014		June YTD 2013		June YTD 2014	
	Amount		Amount		Amount		Amount		Amount	
Sales	\$ 1,000,362		\$ 1,225,017		\$ 1,429,071		\$ 1,354,012		\$ 2,654,088	
Highlighted items:										
Acquisition accounting impacts - Motorola Home def revenue	2,417		206		3,489		2,417		3,695	
Reduction in revenue related to Comcast investment in ARRIS							13,182			
Sales excluding highlighted items	\$ 1,002,779		\$ 1,225,223		\$ 1,432,560		\$ 1,369,611		\$ 2,657,783	
	Q2 2013 ⁽²⁾		Q1 2014		Q2 2014		June YTD 2013 ⁽²⁾		June YTD 2014	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share
Net income (loss)	\$ (48,463)	\$ (0.36) ⁽¹⁾	\$ 40,800	\$ 0.28	\$ 39,024	\$ 0.26	\$ (63,113)	\$ (0.51) ⁽¹⁾	\$ 79,824	\$ 0.54
Highlighted items:										
<i>Impacting gross margin:</i>										
Acquisition accounting impacts related to inventory	57,600	0.42	-	-	-	-	57,600	0.45	-	-
Product rationalization	13,582	0.10	-	-	-	-	13,582	0.11	-	-
Acquisition accounting impacts related deferred revenue	1,472	0.01	199	0.00	2,802	0.02	1,472	0.01	3,001	0.02
Fair value impacts related to Comcast investment in ARRIS	-	-	-	-	-	-	13,182	0.10	-	-
Stock compensation expense	866	0.01	1,275	0.01	1,835	0.01	1,697	0.01	3,110	0.02
<i>Impacting operating expenses:</i>										
Restructuring, acquisition, integration and other costs	51,649	0.38	11,502	0.08	12,518	0.08	58,848	0.46	24,020	0.16
Amortization of intangible assets	55,915	0.41	64,001	0.43	58,735	0.40	63,518	0.50	122,736	0.83
Stock compensation expense	6,314	0.05	9,758	0.07	13,449	0.09	12,227	0.10	23,207	0.16
<i>Impacting other (income) / expense:</i>										
Non-cash interest expense	3,308	0.02	-	-	-	-	6,552	0.05	-	-
Credit facility - ticking fees	477	0.00	-	-	-	-	865	0.01	-	-
Mark-to-market FV adj. related to Comcast investment in ARRIS	(6,159)	(0.05)	-	-	-	-	13,189	0.10	-	-
Impairment on investments	-	-	-	-	3,000	0.02	-	-	3,000	0.02
Asset held for sale impairment	-	-	-	-	2,125	0.01	-	-	2,125	0.01
<i>Impacting income tax expense:</i>										
Net tax items	(74,784)	(0.55)	(58,850)	(0.40)	(29,204)	(0.20)	(88,035)	(0.69)	(88,054)	(0.60)
Total highlighted items	110,240	0.81	27,885	0.19	65,260	0.44	154,697	1.21	93,145	0.63
Net income excluding highlighted items	\$ 61,777	\$ 0.45	\$ 68,685	\$ 0.47	\$ 104,285	\$ 0.70	\$ 91,584	\$ 0.72	\$ 172,970	\$ 1.17
Weighted average common shares - basic	134,626		142,854		144,415		124,940		143,637	
Weighted average common shares - diluted	136,626		147,152		148,063		127,876		147,610	

(1) Basic shares used as losses were reported for those periods and the inclusion of dilutive shares would be anti-dilutive

(2) In connection with the acquisition of Motorola Home, the consolidated financial statements for prior periods have been recast to include retrospective acquisition accounting adjustments

See Notes to GAAP and Adjust Non-GAAP Financial Measures