ARRIS

Q3 2016 EARNINGS

CONFERENCE CALL

FORWARD-LOOKING STATEMENTS
SAFE HARBOR

Statements in this presentation, including those related to expected revenues and net income, gross margins, operating expenses, income taxes, the general outlook for 2016 and beyond, the impacts of the Pace integration, acceptance of certain ARRIS products, the impact of proposed regulatory changes, including by the FCC and IRS, and industry trends, are forward-looking statements. These statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Among other things, projected results are based on preliminary estimates, assumptions and projections that management believes to be reasonable at this time, but are largely beyond management's control; ARRIS may fail to realize the expected benefits of the Pace acquisition; volatility in the U.S. Dollar may impact our international customer's ability or willingness to purchase products and the pricing of our products; regulatory changes, including changes in tax laws and proposed set-top box regulations by the FCC could negatively affect our business and/or results from operations; regulatory changes resulting and general uncertainty from the U.K. referendum to leave the E.U. could impact our operations; and the outstanding warrants held by customers will result in fluctuations in our GAAP revenues and GAAP net income per diluted share as a result of the required accounting adjustments.

Other factors that could cause results to differ materially from current expectations include: the uncertain current global economic climate and financial markets, and their impact on our customers' plans and access to capital; our dependence upon customer decisions to purchase ARRIS products - these decisions can be deferred and customers also may select competitor products the impact of rapidly changing technologies; rights to intellectual property and the current trend toward increasing patent litigation; the adoption of industry standards; possible acquisitions and dispositions; and the impact of consolidations within both the customer and supplier base. These factors are not intended to be an all-encompassing list of risks and uncertainties that may affect the Company's business.

Additional information regarding these and other factors can be found in ARRIS' reports filed with the Securities and Exchange Commission, including the ARRIS International Quarterly Report on Form 10-Q for the period ended June 30, 2016. In providing forward-looking statements, the Company expressly disclaims any obligation to update publicly or otherwise these statements, whether as a result of new information, future events or otherwise, except as required by law.

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Q3 2016

CALL AGENDA

1.	INTRODUCTION	Bruce McClelland
2.	FINANCIAL HIGHLIGHTS	David Potts
3.	CUSTOMER PREMISES EQUIPMENT REVIEW	Larry Robinson
4.	NETWORK & CLOUD REVIEW	Bruce McClelland
5.	BUSINESS OUTLOOK	Bruce McClelland

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BRUCE MCCLELLAND, CEO

THIRD QUARTER 2016 HIGHLIGHTS

Q3 2016

ARRIS INTERNATIONAL APPOINTS NEW CEO

- Bruce McClelland appointed CEO effective September 1, 2016
  - President, Network and Cloud since April, 2013
  - Served as ARRIS Group President, Product and Services, 2011 – 2013
  - Joined ARRIS in 1999. Previously held a variety of positions at Nortel Networks/Bell Northern Research
- Bob Stanzione appointed ARRIS Executive Chairman
- Re-affirm strategy
  - Growth in broadband and video innovation
  - Customer Intimacy
  - Organic and inorganic investment

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Q3 2016

DELIVERING RESULTS

$1.725B
$1.735B*

$0.25
$0.77*

$297M

Revenue

GAAP Revenues of $1.725B.

Up 41.3% YoY, down $5M sequentially.

Non-GAAP revenue of $1.735B*.

Up 42.1% YoY, flat sequentially.

Earnings

GAAP EPS of $0.25.

Non-GAAP earnings of $0.77* per share, up YoY from $0.56 and down sequentially from $0.84.

Cash Flow

Record Cash Flow from Operating activities - $297M.

International restructuring nearing completion.

Converged IT business systems.

Customers

Charter WorldBox

Executed a strategic warrant agreement.

Telefonica announcement.

Strong Access Technologies business.

International revenues of $482M.

*See reconciliation of GAAP to Non-GAAP measures.

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DAVE POTTS, CHIEF FINANCIAL OFFICER

THIRD QUARTER 2016

FINANCIAL HIGHLIGHTS

Q3 2016

FINANCIAL HIGHLIGHTS

(preliminary and unaudited)

	Q3 2015	Q2 2016	Q3 2016	Sep YTD YTD 2015	Sep YTD YTD 2016
Sales - GAAP - $M	1,221	1,730	1,725	3,697	5,070
Adjusted Sales - Non- GAAP [1] - $M	1,221	1,734	1,735	3,697	5,084
EPS - GAAP	0.18	0.44	0.25	0.42	(0.37)
Adjusted EPS - Non-GAAP [1]	0.56	0.84	0.77	1.53	2.07
Cash, ST & LT Marketable Securities - $M	781	903	1,110	781	1,110
Cash Provided by Operating Activities - $M	208	261	297	217	335
Debt Repayment - $M	12	22	22	41	297
Share Repurchases - $M	-	-	28	25	178
Short-term Bank Debt -$M	43	82	82	43	82
Long-term Bank Debt -$M	1,448	2,164	2,143	1,448	2,143
Weighted average common shares - basic - M	147	190	191	146	191
Weighted average common shares - diluted - M	149	191	192	149	192
Backlog - $M	559	1,239	1,034	559	1,034
Book-to-Bill	0.92	0.94	0.88	0.98	1.02

[1] See GAAP to Non-GAAP reconciliation and notes thereto

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OTHER SIGNIFICANT ITEMS AFFECTING EARNINGS
(preliminary and unaudited)

- $8M of restructuring costs in Q3 2016 vs. $33M in Q2 2016; $92M year to date
- $(6M) foreign exchange loss in Q3 2016; $10M gain in Q2 2016… about a $0.06 per share change
- GAAP tax expense of $9M in Q3 2016 vs. a $69M benefit in Q2 2016

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Q3 2016

SALES AND GROSS MARGIN - $M

(preliminary and unaudited)

	Q3 2015	Q2 2016	Q3 2016
Sales - GAAP	1,221.4	1,730.0	1,725.1
Fair Value of Warrants Adjustment	-	4.3	9.6
Adjusted Sales - Non- GAAP [1]	1,221.4	1,734.3	1,734.8
GAAP Gross Margin	359.4	444.6	442.8
Fair Value of Pace Inventory Adjustment	-	20.0	0.5
Equity Compensation	2.3	2.0	2.8
Fair Value of Warrants Adjustment	-	4.3	9.6
Adjusted Gross Margin - Non-GAAP [1]	361.7	470.9	455.7
GAAP Gross Margin - %	29.4%	25.7%	25.7%
Adjusted Gross Margin - Non-GAAP - %	29.6%	27.2%	26.3%

1 See GAAP to Non-GAAP reconciliation and notes thereto

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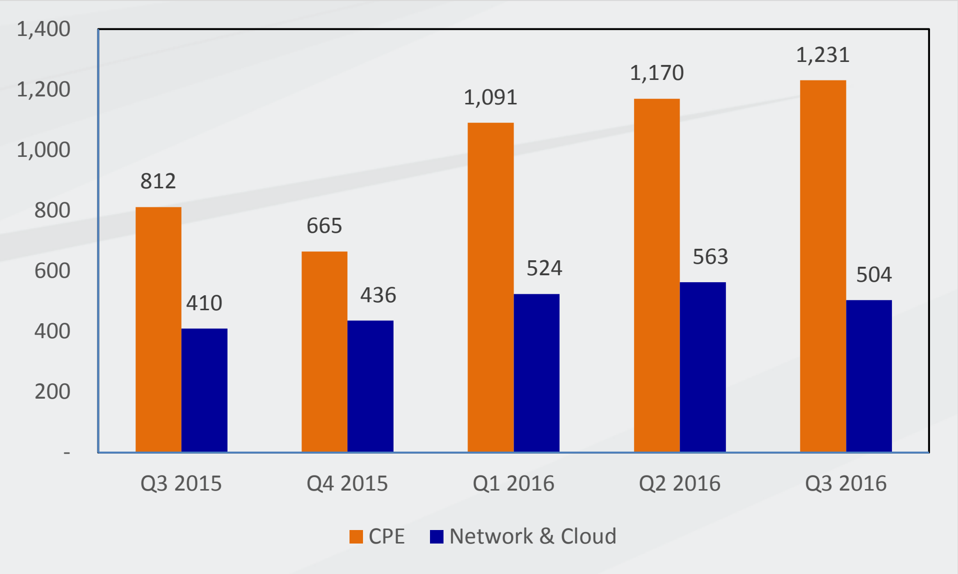
Q3 2016

SALES - $M

(preliminary and unaudited)



	Q3 2016	% of Sales
Domestic Sales	1,243	72%
International Sales	482	28%
Total of three customers greater than 10%	896	52%

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Q3 2016

SALES AND DIRECT CONTRIBUTION BY SEGMENT - $M

(preliminary and unaudited)

	Network & Cloud	CPE	Corp/ Other	Total
Net Sales	504.1	1,230.8	(9.8)	1,725.1
Non GAAP Adjustments [1]	-	-	9.6	9.6
Adjusted Net Sales	504.1	1,230.8	(0.2)	1,734.8
Direct Contribution [2]	162.9	191.9	(163.7)	191.2
Non GAAP Adjustments [3]	-	-	28.0	28.0
Adjusted Direct Contribution	162.9	191.9	(135.7)	219.2

See GAAP to Non-GAAP reconciliation and notes thereto

[1] Impact of warrants adjustment

[2] Defined as gross margin less direct operating expenses, excluding amortization of tangible assets, restructuring charges, acquisition, integration and other costs.

[3] Equity compensation expense, adjustments related to the acquisition accounting impacts and warrants adjustments.

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Q3 2016

OPERATING EXPENSES - $M

(preliminary and unaudited)

		Qtr 3 2015	Qtr 2 2016	Qtr 3 2016	Sept YTD 2015	Sept YTD 2016
R&D	$M	132.2	152.6	138.8	400.9	452.5
	% of Sales	10.8%	8.8%	8.0%	10.8%	8.9%
SG&A	$M	101.8	105.7	112.9	309.3	338.6
	% of Sales	8.3%	6.1%	6.5%	8.4%	6.7%
Operating Expenses	$M	234.0	258.3	251.7	710.3	791.1
	% of Sales	19.2%	14.9%	14.6%	19.2%	15.6%
Integration, Acquisition, Restructuring & Other Costs	$M	7.5	43.1	10.8	21.0	144.9
	% of Sales	0.6%	2.5%	0.6%	0.6%	2.9%
Amortization of Intangibles	$M	57.1	109.9	89.0	171.1	297.4
	% of Sales	4.7%	6.4%	5.2%	4.6%	5.9%
Total	$M	298.6	411.3	351.5	902.3	1,233.4
	% of Sales	24.4%	23.8%	20.4%	24.4%	24.3%
Equity Compensation Expense Included		14.0	9.9	15.1	40.3	37.0

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CASH AND CASH FLOW HIGHLIGHTS - $M

(preliminary and unaudited)

Cash, short term and long term marketable securities	1,109.6
Key Operating Activities	
Net income including adjustments	174.5
Changes in other operating assets and liabilities	122.4
Total	296.9
Key Investing Activities	
Purchase of property, plant & equipment	(16.8)
Key Financing Activities:	
Payments of debt obligations	(22.4)
Repayment of accounts receivable financing facility	(11.5)
Share Repurchases	(28.0)

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Q4 2016 GUIDANCE
(preliminary and unaudited)

	Q4 2016
Sales - GAAP - $M	**1,665 - 1,715**
Adjusted Sales - Non-GAAP[1] -$M	**1,675 - 1,725**
EPS - GAAP	**$ 0.23 - $ 0.27**
Adjusted EPS - Non-GAAP[1]	**$ 0.68 - $ 0.72**

[1] See GAAP to adjusted Non-GAAP Sales and EPS guidance reconciliation and notes thereto

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LARRY ROBINSON, PRESIDENT, CUSTOMER PREMISES EQUIPMENT

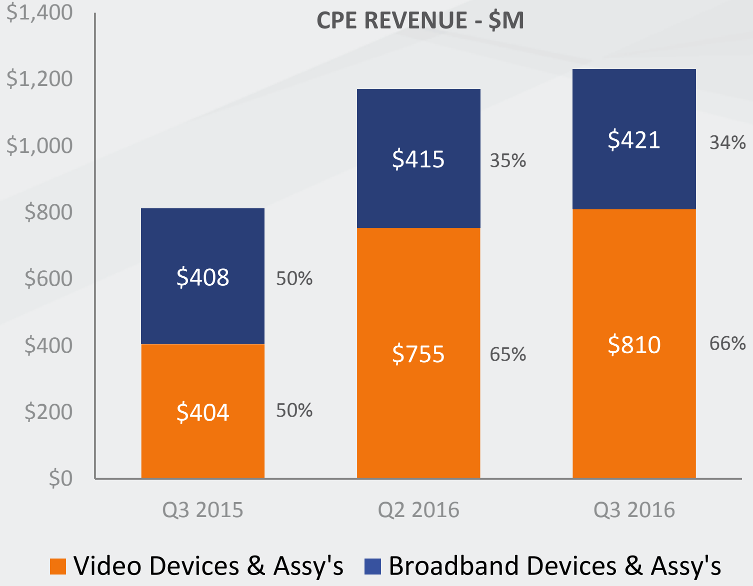
THIRD QUARTER 2016

CUSTOMER PREMISES EQUIPMENT REVIEW

Q3 2016

CUSTOMER PREMISES EQUIPMENT HIGHLIGHTS

- Sales increased 5% as compared to prior quarter results and 52% versus Q3 2015
  - Sequential improvements in both the Telco and International CPE portfolios
- DOI results favorable as compared to Q2 2016
- Combined product teams continue to perform well; Focused on new platform development efforts across video & broadband technologies



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Q3 2016

CUSTOMER PREMISES EQUIPMENT HIGHLIGHTS

BROADBAND CPE

- Broadband device & accessory sales (DOCSIS & DSL) increased 1% sequentially and 3% as compared to Q3 2015
- Launched new portfolio of Residential Gateways with a large North American Service Provider
- Started initial commercial shipments of DOCSIS 3.1 modems – trials & early deployments
- Expanded DOCSIS 3.1 Gateway portfolio & launched Touchstone Development Partner Program
- Received approval from a US Cable Operator for a new 24 downstream Gateway

DOCSIS 3.1 Gateways

Touchstone Telephony & Data Gateway

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CUSTOMER PREMISES EQUIPMENT HIGHLIGHTS

VIDEO CPE

- Video revenues increased 7% sequentially & increased 101% as compared to Q3 2015
- Launched 4K set top with Telus Optik TV service
- Portugal Telecom MEO 4K service launch
- Intigral selected ARRIS wireless HEVC set tops
- Awarded Telefonica "Proteus" opportunity; Strategic Partner for Next Generation Set-Tops
- Announced Charter Worldbox 2.0 program

Worldbox 2.0

Next Generation Video Platform

KEY FEATURES:

- Hybrid IP / QAM video platform
- Traditional & Cloud-based User Interface support
- Expanded downloadable conditional access functionality
- Increased graphics & processing power capabilities

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BRUCE MCCLELLAND, NETWORK AND CLOUD
THIRD QUARTER 2016

NETWORK AND CLOUD REVIEW

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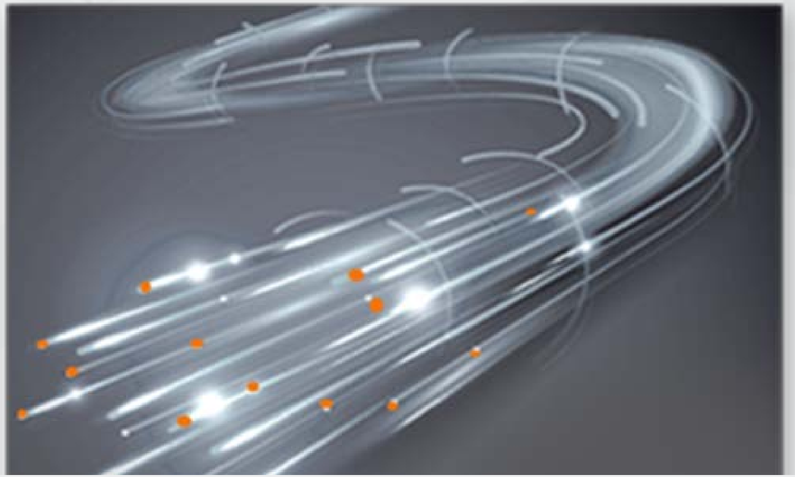
NETWORK AND CLOUD HIGHLIGHTS

- Solid quarter despite E6000 Gen 2 transition period
  - Sales down 11% and DOI down 11% QoQ
  - Sales up 23% and DOI up 34% YoY
- Another record quarter for Access Technologies sales and shipments
  - Production capacity and material procurement beginning to match demand
- Announced plans to close Call Center
- Sale of Moxi WHS to ESPIAL



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NETWORK AND CLOUD HIGHLIGHTS

ACCESS TECHNOLOGIES

- Another record quarter
- Very good progress on scaling production to meet demand; expect majority of lead time issues to be addressed by year end
- Recent SCTE show well attended with growing interest in Distributed Access Architectures
  - Remote Phy and CCAP Core functionality on track

CMTS / CCAP / PON

- Expect significant upgrade cycle as Gen 2 line cards become available to meet increasing capacity and density needs
  - UCAM-2 in production; expect revenue recognition in 4th quarter
  - DCAM-2 and RSM-2 cards expected in 1Q17
  - 10G EPON cards expected in 1Q17
- DOCSIS3.1 field deployments continue

CHP Max5000®
1.2 GHz Headend Optics

E6000™
ARRIS CCAP

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Q3 2016

NETWORK AND CLOUD HIGHLIGHTS

VIDEO SYSTEMS

- Announced new deployments of ME-7000 with Eastlink and Izzi Telecom
- Innovative Cloud DVR capabilities
- Growing linear ad insertion customer base

SOFTWARE

- Expansion of ServAssure Performance Management platform in Latin America

SERVICES

- Growth in managed Wi-Fi service offering
- New fiber design wins

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BRUCE MCCLELLAND, CEO

FOURTH QUARTER 2016

BUSINESS OUTLOOK

YEAR ON TRACK

	March 2016 Investor Day Estimates	Current Estimates October 2016	
GAAP Revenue	$6,600M - $6,800M	$6,735M - $6,785M	✓
Non-GAAP Revenue[1]		$6,759M - $6,809M	✓
GAAP EPS	$(0.26) - $(0.11)	$(0.14) - $(0.10)	✓
Non GAAP EPS[1]	$2.45 - $2.60	$2.75 - $2.79	✓

On track to do what we said we would do:

- Integration of Pace complete
- Achieving synergy targets ahead of plan
- Continued strong position with customers
- Capitalizing on broadband network investments
- Strong balance sheet and capital structure

1 See GAAP to Non-GAAP reconciliation and notes thereto

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POSITIVE TRENDS CONTINUE

BROADBAND

- DOCSIS 3.1 deployments
- E6000 Gen 2
- Fiber Deep

INTERNATIONAL

- Steady improvement despite strong US dollar
- New product ramp

COMPETITION

- OTT providers drive ‘return to the living room’
- Market focus on 4K/HDR Intensifies
- Netflix coming to X1
- Quad play +

WELL POSITIONED

- Scale
- Strong market share
- Next generation product portfolio
- Global footprint

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THANK YOU

GAAP TO ADJUSTED NON-GAAP SALES AND EPS GUIDANCE RECONCILIATION

	Q4 2016 Guidance
Estimated GAAP Sales - $M	1,665 - 1,715
Warrants - $M	10
Estimated Adjusted (Non-GAAP) Sales - $M	1,675 - 1,725
Estimated GAAP EPS	$ 0.23 - $ 0.27
Reconciling Items:	
Amortization of Intangibles	0.48
Stock Compensation Expense	0.10
Integration and Other Costs	0.04
Warrants	0.05
Net tax items	(0.22)
Subtotal	0.45
Estimated Adjusted (Non-GAAP) EPS	$ 0.68 - $ 0.72

Note: GAAP sales and EPS will be impacted by the fair value of warrants issued which can vary depending upon the ultimate volumes, product mix and fair value calculation.

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FULL YEAR 2016 GAAP TO ADJUSTED NON-GAAP SALES AND EPS GUIDANCE RECONCILIATION

	2016 Guidance
Estimated GAAP Sales - $M	6,735 - 6,785
Warrants - $M	24
Estimated Adjusted (Non-GAAP) Sales - $M	6,759 - 6,809
Estimated GAAP EPS	$ (0.14) - $ (0.10)
Reconciling Items:	
Amortization of Intangibles	2.03
Stock Compensation Expense	0.33
Restructuring, Integration and Other Acquisition Costs	1.40
Warrants	0.12
Net tax items	(0.99)
Subtotal	2.89
Estimated Adjusted (Non-GAAP) EPS	$ 2.75 - $ 2.79

Note: GAAP sales and EPS will be impacted by the fair value of warrants issued which can vary depending upon the ultimate volumes, product mix and fair value calculation.

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GAAP EPS/ADJUSTED EPS RECONCILIATION Q3 AND YTD 2016
(preliminary and unaudited)

	Q3 2015		Q2 2016		Q3 2016		SEPT YTD 2015		SEPT YTD 2016	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share
Sales	$1,221,416		$1,730,044		$1,725,145		$3,696,650		$5,069,895	
Highlighted items:										
Reduction in revenue related to warrants	–		4,283		9,611		–		13,894	
Sales excluding highlighted items	$1,221,416		$1,734,327		$1,734,756		$3,696,650		$5,083,789	
Net income (loss) attributable to ARRIS International plc	26,257	0.18	84,227	0.44	48,162	0.25	62,140	0.42	(70,183)	(0.37)
Highlighted Items:										
Impacting gross margin:										
Stock compensation expense	2,284	0.02	1,997	0.01	2,773	0.01	6,289	0.04	7,009	0.04
Reduction in revenue related to warrants	–	–	4,283	0.02	9,611	0.05	–	–	13,894	0.07
Acquisition accounting impacts of fair valuing inventory	–	–	20,039	0.10	493	–	–	–	50,824	0.26
Impacting operating expenses:										
Integration, acquisition, restructuring and other costs	7,532	0.05	43,138	0.23	10,831	0.06	20,996	0.14	144,888	0.75
Amortization of tangible assets	57,132	0.38	109,883	0.57	89,042	0.46	171,062	1.15	297,417	1.55
Stock compensation expense	14,005	0.09	9,905	0.05	15,102	0.08	40,267	0.27	37,044	0.19
Noncontrolling interest share of Non-GAAP adjustments	(791)	(0.01)	(776)	–	(776)	–	(1,590)	(0.01)	(2,328)	(0.01)
Impacting other (income)/expense:										
Impairment of Investments	–	–	5,000	0.03	2,851	0.01	150	–	7,851	0.04
Debt amendment fees	669	–	–	–	(237)	–	15,051	0.10	(237)	–
Credit facility - ticking fees	678	–	–	–	–	–	678	–	(9)	–
Foreign exchange contract losses related to cash consideration of Pace acquisition	15,429	0.10	–	–	–	–	8,584	0.06	1,610	0.01
Adjustment to liability related to foreign tax credit benefits	(3,669)	(0.02)	–	–	–	–	(3,669)	(0.02)	–	–
France R&D tax credit	–	–	–	–	4,992	0.03	–	–	4,992	0.03
Loss on sale of building	–	–	–	–	–	–	5,142	0.03	–	–
Impacting income tax expense:										
Foreign withholding tax	–	–	–	–	–	–	–	–	54,741	0.28
Net tax items	(35,845)	(0.24)	(117,291)	(0.61)	(36,140)	(0.19)	(96,500)	(0.65)	(150,014)	(0.78)
Total highlighted items	57,424	0.38	76,178	0.40	98,542	0.51	166,460	1.12	467,682	2.43
Net income excluding highlighted items	83,681	0.56	160,405	0.84	146,704	0.77	228,600	1.53	397,499	2.07
Weighted average common shares - basic		146,781		190,409		190,515		146,146		190,888
Weighted average common shares - diluted		149,313		191,250		191,508		149,196		192,115

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NOTES TO GAAP/ADJUSTED NON-GAAP FINANCIAL MEASURES (preliminary and unaudited)

The Company reports its financial results in accordance with accounting principles generally accepted in the United States (“GAAP” or referred to herein as “reported”). However, management believes that certain non-GAAP financial measures provide management and other users with additional meaningful financial information that should be considered when assessing our ongoing performance. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the factors management uses in planning for and forecasting future periods. Non-GAAP financial measures should be viewed in addition to, and not as an alternative to, the Company’s reported results prepared in accordance with GAAP. Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effects:

Reduction in Revenue Related to Warrants: We entered into agreements with customers for the issuance of warrants to purchase up to 14.0 million of ARRIS’ ordinary shares. Vesting of the warrants is subject to certain purchase volume commitments, and therefore the accounting guidance requires that we record the change in the fair value of warrants as a reduction in revenue. Until final vesting, changes in the fair value of the warrants will be marked to market and any adjustment recorded in revenue. We have excluded the effect of the implied fair value in calculating our non-GAAP financial measures. We believe it is useful to understand the effects of these items on our total revenues and gross margin.

Stock-Based Compensation Expense: We have excluded the effect of stock-based compensation expenses in calculating our non-GAAP operating expenses and net income (loss) measures. Although stock-based compensation is a key incentive offered to our employees, we continue to evaluate our business performance excluding stock-based compensation expenses. We record non-cash compensation expense related to grants of restricted stock units. Depending upon the size, timing and the terms of the grants, the non-cash compensation expense may vary significantly but will recur in future periods.

Acquisition Accounting Impacts Related to Inventory Valuation: In connection with the accounting related to our acquisitions, business combinations rules require the inventory be recorded at fair value on the opening balance sheet. This is different from historical cost. Essentially we are required to write the inventory up to end customer price less a reasonable margin as a distributor. We have excluded the resulting adjustments in inventory and cost of goods sold as the historic and forward gross margin trends will differ as a result of the adjustments. We believe it is useful to understand the effects of this on cost of goods sold and margin.

Integration, Acquisition, Restructuring and Other Costs: We have excluded the effect of acquisition, integration, and other expenses and the effect of restructuring expenses in calculating our non-GAAP operating expenses and net income (loss) measures. We incurred expenses in connection with the ActiveVideo and the Pace acquisitions, which we generally would not otherwise incur in the periods presented as part of our continuing operations. Acquisition and integration expenses consist of transaction costs, costs for transitional employees, other acquired employee related costs, and integration related outside services. Restructuring consists of employee severance and abandoned facilities. We believe it is useful to understand the effects of these items on our total operating expenses.

Amortization of Intangible Assets: We have excluded the effect of amortization of intangible assets in calculating our non-GAAP operating expenses and net income (loss) measures. Amortization of intangible assets is non-cash, and is inconsistent in amount and frequency and is significantly affected by the timing and size of our acquisitions. Investors should note that the use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of intangible assets will recur in future periods.

Noncontrolling Interest share of Non-GAAP Adjustments: The joint venture formed with Charter for the acquisition of ActiveVideo is accounted for by ARRIS under the consolidation method. As a result, the consolidated statement of operations include the revenues, expenses, and gains and losses of the noncontrolling interest. The amount of net income (loss) related to the noncontrolling interest are reported and presented separately in the consolidated statement of operations. We have excluded the noncontrolling share of any non-GAAP adjusted measures recorded by the joint venture, as we believe it is useful to understand the effect of excluding this item when evaluating our ongoing performance.

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NOTES TO GAAP/ADJUSTED NON-GAAP FINANCIAL MEASURES (preliminary and unaudited)

Impairment of Investments: We have excluded the effect of an other-than-temporary impairment of a cost method investment in calculating our non-GAAP financial measures. We believe it is useful to understand the effect of this non-cash item in our other expense (income).

Debt Amendment Fees: In 2015, the Company amended its credit agreement. This debt modification allowed us to improve the terms and conditions of the credit agreement, extend the maturities of certain loan facilities, increase the amount of the revolving credit facility, and add a new term A-1 loan facility. We have excluded the effect of the associated fees in calculating our non-GAAP financial measures. We believe it is useful to understand the effect of this item in our other expense (income).

Credit Facility - Ticking Fees: In connection with our acquisition of Pace, the cash portion of the consideration was funded through debt financing commitments. A ticking fee is a fee paid to our banks to compensate for the time lag between the commitment allocation on a loan and the actual funding. We have excluded the effect of the ticking fee in calculating our non-GAAP financial measures. We believe it is useful to understand the effect of this item in our other expense (income).

Foreign Exchange Contract (Gains) Losses Related to Cash Consideration of Pace Acquisition: In the second quarter of 2015, the Company announced its intent to acquire Pace plc in exchange for stock and cash. We subsequently entered into foreign exchange forward contracts in order to hedge the foreign currency risk associated with the cash consideration of the Pace acquisition. These foreign exchange forward contracts were not designated as hedges, and accordingly, all changes in the fair value of these instruments are recognized as a loss (gain) on foreign currency in the Consolidated Statements of Operations. We believe it is useful to understand the effect of this on our other expense (income).

Adjustment to Liability Related to Foreign Tax Credit Benefits: In connection with our acquisition of Motorola Home, we have obtained certain foreign tax credit benefits for which we have recorded a liability to Google resulting from certain provisions in the acquisition agreement. The expense and subsequent adjustments related to this liability has been recorded as part of other expense (income). We have excluded the effect of the expense in the calculation of our non-GAAP financial measures. We believe it is useful to understand the effects of this item on our total other expense (income).

France R&D Tax Credit: France R&D tax credits were recorded as an other asset on the date of our acquisition of Pace, as Pace France had a history of losses and did not expect to utilize their R&D Tax Credits against a future France income tax liability. Our restructuring in France required a reclassification of the R&D tax credits from other assets to deferred tax assets prior to the utilization of the tax credits. This impact of the reclassification was a charge to other expense with an offsetting tax benefit. We have excluded the effect of the other expense and tax benefit in the calculation of our non-GAAP financial measures. We believe it is useful to understand the effects of this event on our total other expense (income) and income tax.

Loss on Sale of Building: In the first quarter of 2015, the Company sold land and a building that qualified for sale-leaseback accounting and was classified as an operating lease. A loss has been recorded on the sale. We have excluded the effect of the loss on sale of property in calculating our non-GAAP financial measures. We believe it is useful to understand the effect of excluding this item when evaluating our ongoing performance.

Foreign Withholding Tax: In connection with our acquisition of Pace, ARRIS US Holdings, Inc. transferred shares of its subsidiary ARRIS Financing II Sarl to ARRIS International plc. Under U.S. tax law, based on the best available information, we believe the transfer constituted a deemed distribution from ARRIS U.S. Holdings Inc. to ARRIS International plc that is treated as a dividend for U.S. tax purposes. A deemed dividend of this type is subject to U.S. withholding tax to the extent of the current and accumulated earnings and profits (as computed for tax purposes) ("E&P") of ARRIS U.S. Holdings Inc., which include the E&P of the former ARRIS Group, Inc. and subsidiaries through December 31, 2016. Accordingly, ARRIS U.S. Holdings Inc. remitted U.S. withholding tax in the amount of $55 million based upon its estimated E&P of $1.1 billion and the U.S. dividend withholding tax rate of 5 percent (as provided in Article 10 (Dividends) of the United Kingdom-United States Tax Treaty). We have excluded the withholding tax in calculating our non-GAAP financial measures.

Income Tax Expense (Benefit): We have excluded the tax effect of the non-GAAP items mentioned above. Additionally, we have excluded the effects of certain tax adjustments related to tax and legal restructuring, state valuation allowances, research and development tax credits and provision to return differences.

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