UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

For the quarter ended June 30, 2017

of

ARRIS INTERNATIONAL PLC
(Exact name of registrant as specified in its charter)

England and Wales	001-37672	98-1241619
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3871 Lakefield Drive, Suwanee, Georgia	30024
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (678) 473-2000

ARRIS International plc (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 and (2) has been subject to such filing requirements for the past 90 days.

ARRIS International plc is a large accelerated filer and is not a shell company.

ARRIS International plc is required to submit electronically and post on its corporate web site interactive data files required to be submitted and posted pursuant to Rule 405 of Regulation S-T.

As of July 31, 2017, 187,536,426 shares of ARRIS International plc's Ordinary Shares were outstanding.

ARRIS INTERNATIONAL PLC
FORM 10-Q
For the Three and Six Months Ended June 30, 2017
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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ARRIS INTERNATIONAL PLC
CONSOLIDATED BALANCE SHEETS
(in thousands except share and per share data) (unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$1,346,028	$ 980,123
Short-term investments, at fair value	38,759	115,553
Total cash, cash equivalents and short-term investments	1,384,787	1,095,676
Accounts receivable (net of allowances for doubtful accounts of $17,480 in 2017 and $15,253 in 2016)	991,539	1,359,430
Other receivables	132,742	73,193
Inventories (net of reserves of $76,463 in 2017 and $72,596 in 2016)	657,881	551,541
Prepaid income taxes	16,354	51,476
Prepaids	32,149	21,163
Other current assets	119,405	127,593
Total current assets	3,334,857	3,280,072
Property, plant and equipment (net of accumulated depreciation of $356,213 in 2017 and $319,473 in 2016)	355,033	353,377
Goodwill	2,014,550	2,016,169
Intangible assets (net of accumulated amortization of $1,405,217 in 2017 and $1,254,360 in 2016)	1,491,103	1,677,178
Investments	61,047	72,932
Deferred income taxes	199,102	298,757
Other assets	54,843	59,877
Total assets	$7,510,535	$ 7,758,362
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$1,201,883	$ 1,048,904
Accrued compensation, benefits and related taxes	81,355	139,794
Accrued warranty	44,812	49,618
Deferred revenue	130,454	132,128
Current portion of long-term debt and financing lease obligation	89,336	82,734
Income taxes payable	9,487	23,133
Other accrued liabilities	303,013	357,823
Total current liabilities	1,860,340	1,834,134
Long-term debt and financing lease obligation, net of current portion	2,134,506	2,180,009
Accrued pension	55,532	52,652
Noncurrent income taxes	114,187	123,344
Deferred income taxes	83,516	223,529
Other noncurrent liabilities	120,381	117,957
Total liabilities	4,368,462	4,531,625
Stockholders' equity:		
Ordinary shares, nominal value £0.01 per share, 186.7 million and 190.1 million shares issued and outstanding in 2017 and 2016, respectively	2,786	2,831
Capital in excess of par value	3,356,183	3,314,707
Accumulated deficit	(256,705)	(132,013)
Accumulated other comprehensive income	2,211	3,291
Total ARRIS International plc stockholders' equity	3,104,475	3,188,816
Stockholders' equity attributable to noncontrolling interest	37,598	37,921
Total stockholders' equity	3,142,073	3,226,737
Total liabilities and stockholders' equity	$7,510,535	$ 7,758,362

See accompanying notes to the consolidated financial statements.

ARRIS INTERNATIONAL PLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except share and per share data) (unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net sales	$1,664,170	$1,730,044	$3,147,276	$3,344,750
Cost of sales	1,260,813	1,285,310	2,406,661	2,515,984
Gross margin	403,357	444,734	740,615	828,766
Operating expenses:				
Selling, general and administrative expenses	113,921	105,746	218,560	225,710
Research and development expenses	133,098	152,580	266,060	313,726
Amortization of intangible assets	91,012	109,883	184,657	208,375
Integration, acquisition, restructuring and other costs	9,690	43,137	19,785	134,057
Total operating expenses	347,721	411,346	689,062	881,868
Operating income (loss)	55,636	33,388	51,553	(53,102)
Other expense (income):				
Interest expense	23,344	19,102	43,027	38,728
Loss on investments	3,609	6,389	8,139	8,348
Interest income	(1,788)	(1,185)	(3,709)	(1,968)
Loss (gain) on foreign currency	9,373	(9,801)	14,113	2,440
Other expense (income), net	926	5,219	841	4,869
Income (loss) before income taxes	20,172	13,664	(10,858)	(105,519)
Income tax (benefit) expense	(8,302)	(68,795)	1,699	17,218
Consolidated net income (loss)	28,474	82,459	(12,557)	(122,737)
Net loss attributable to noncontrolling interest	(1,862)	(1,769)	(3,795)	(4,392)
Net income (loss) attributable to ARRIS International plc	$ 30,336	$ 84,228	$ (8,762)	$ (118,345)
Net income (loss) per ordinary share[(1)]:				
Basic	$ 0.16	$ 0.44	$ (0.05)	$ (0.62)
Diluted	$ 0.16	$ 0.44	$ (0.05)	$ (0.62)
Weighted average ordinary shares:				
Basic	186,803	190,409	188,291	191,076
Diluted	189,002	191,250	188,291	191,076

(1) Calculated based on net income (loss) attributable to shareowners of ARRIS International plc

See accompanying notes to the consolidated financial statements.

ARRIS INTERNATIONAL PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands) (unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Consolidated net income (loss)	$28,474	$82,459	$(12,557)	$(122,737)
Available-for-sale securities:				
Unrealized gain (loss) on available-for-sale securities, net of tax of $(57) and $(113) for the three months ended June 30, 2017 and 2016, and $(109) and $30 for the six months ended June 30, 2017 and 2016 respectively	107	224	204	(2)
Reclassification adjustments recognized in net income, net of tax of $(33) and $3 for the three months ended June 30, 2017 and 2016, and $(31) and $(10) for the six months ended June 30, 2017 and 2016 respectively	61	(6)	58	1
Net change in available-for-sale securities	168	218	262	(1)
Derivative instruments:				
Unrealized gain (loss) on derivative instruments, net of tax of $768 and $1,880 for the three months ended June 30, 2017 and 2016, and $277 and $7,214 for the six months ended June 30, 2017 and 2016 respectively	(2,019)	(7,382)	(456)	(17,223)
Reclassification adjustments recognized in net income, net of tax of $(163) and $(393) for the three months ended June 30, 2017 and 2016, and $(678) and $(1,086) for the six months ended June 30, 2017 and 2016 respectively	429	1,545	1,117	2,593
Net change in derivative instruments	(1,590)	(5,837)	661	(14,630)
Pension liabilities:				
Reclassification adjustments recognized in net income	4	(128)	15	(2,025)
Net change in pension liabilities	4	(128)	15	(2,025)
Cumulative translation adjustments	(6,999)	(2,750)	(2,018)	329
Other comprehensive income (loss), net of tax	(8,417)	(8,497)	(1,080)	(16,327)
Comprehensive income (loss)	20,057	73,962	(13,637)	(139,064)
Comprehensive loss attributable to noncontrolling interest	(1,881)	(1,766)	(3,823)	(4,392)
Comprehensive income (loss) attributable to ARRIS International plc	$21,938	$75,728	$ (9,814)	$(134,672)

See accompanying notes to the consolidated financial statements.

ARRIS INTERNATIONAL PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands) (unaudited)

	Six months ended June 30, 2017	2016
Operating activities:		
Consolidated net loss	$ (12,557)	$(122,737)
Depreciation	43,003	46,043
Amortization of acquired intangible assets	187,978	211,307
Amortization of deferred financing fees and debt discount	3,891	3,864
Deferred income taxes	(37,523)	(79,337)
Foreign currency remeasurement of certain income taxes	7,191	—
Stock compensation expense	41,740	26,177
Impairment of intangible assets	—	2,300
Provision for non-cash warrants	5,081	4,283
(Recovery) provision for doubtful accounts	(248)	1,054
Loss on disposal of property, plant & equipment and other	1,590	3,929
Loss on investments and other	8,139	8,348
Excess income tax benefits from stock-based compensation	—	(2,354)
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:		
Accounts receivable	368,020	49,033
Other receivables	(59,549)	(14,022)
Inventories	(106,841)	181,737
Accounts payable and accrued liabilities	36,881	(327,584)
Prepaids and other, net	8,993	46,188
Net cash provided by operating activities	495,789	38,229
Investing activities:		
Purchases of investments	(62,250)	(22,248)
Sales of investments	150,301	2,441
Purchases of property, plant and equipment	(42,900)	(23,752)
Purchases of intangible assets	(422)	(3,310)
Acquisition, net of cash acquired	—	(340,118)
Other, net	826	3,507
Net cash provided by (used in) investing activities	45,555	(383,480)
Financing activities:		
Proceeds from issuance of shares, net	8,553	4,163
Repurchase of shares	(126,965)	(150,003)
Excess income tax benefits from stock-based compensation	—	2,354
Repurchase of shares to satisfy employee minimum tax withholdings	(13,882)	(14,193)
Proceeds from issuance of debt	30,314	800,000
Payment of debt obligations	(75,239)	(275,000)
Payment of financing lease obligation	(405)	(314)
Payment for account receivable financing facility	—	(12,042)
Payment for deferred financing fees and debt discount	(1,462)	(2,304)
Contribution from noncontrolling interest	3,500	—
Net cash (used in) provided by financing activities	(175,586)	352,661
Effect of exchange rate changes on cash and cash equivalents	147	—
Net increase in cash and cash equivalents	365,905	7,410
Cash and cash equivalents at beginning of year	980,123	863,582
Cash and cash equivalents at end of year	$1,346,028	$ 870,992

See accompanying notes to the consolidated financial statements.

Note 1. Organization and Basis of Presentation

On January 4, 2016, ARRIS Group, Inc. (“ARRIS Group”) completed its combination (the “Combination”) with Pace plc, a company incorporated in England and Wales (“Pace”). In connection with the Combination, (i) ARRIS International plc (the “Registrant”), a company incorporated in England and Wales, acquired all of the outstanding ordinary shares of Pace (the “Pace Acquisition”) and (ii) a wholly-owned subsidiary of the Registrant was merged with and into ARRIS Group (the “Merger”), with ARRIS Group surviving the Merger as an indirect wholly-owned subsidiary of the Registrant. Under the terms of the Combination, (a) Pace shareholders received 132.5 pence in cash and 0.1455 ordinary shares of the Registrant for each Pace Share they held, and (b) ARRIS Group stockholders received one ordinary share of the Registrant for each share of ARRIS Group common stock they held. Following the Combination, ARRIS Group became an indirect wholly-owned subsidiary of the Registrant and Pace became a direct wholly-owned subsidiary of the Registrant. The ordinary shares of the Registrant trade on the NASDAQ under the symbol “ARRS.”

The Registrant is deemed to be the successor to ARRIS Group pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the ordinary shares of the Registrant are deemed to be registered under Section 12(b) of the Exchange Act.

ARRIS International plc (together with its consolidated subsidiaries and consolidated venture, except as the context otherwise indicates, “ARRIS” or the “Company”) is a global media entertainment and data communications solutions provider, headquartered in Suwanee, Georgia. The Company operates in two business segments, Customer Premises Equipment (“CPE”) and Network & Cloud (“N&C”) (See Note 14 *Segment Information* for additional details), specializing in enabling service providers including cable, telephone, and digital broadcast satellite operators and media programmers to deliver media, voice, and IP data services to their subscribers. ARRIS is a leader in set-tops, digital video and Internet Protocol Television distribution systems, broadband access infrastructure platforms, and associated data and voice Customer Premises Equipment. The Company’s solutions are complemented by a broad array of services including technical support, repair and refurbishment, and systems design and integration.

The consolidated financial statements include the accounts of the Company and its wholly owned foreign and domestic subsidiaries and consolidated venture in which the Company owns more than 50% of the outstanding voting shares of the entity. All intercompany accounts and transactions have been eliminated.

The accompanying financial data as of June 30, 2017 and for the three and six months ended June 30, 2017 and June 30, 2016 has been prepared by the Company, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The December 31, 2016 Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

In the opinion of management, all normal recurring adjustments necessary to present fairly the consolidated balance sheet as of June 30, 2017; the consolidated statements of operations, the statements of comprehensive income (loss), and the statements of cash flows for the six months ended June 30, 2017 and June 30, 2016 as applicable, have been made. The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The Company has evaluated subsequent events through the date that the financial statements were issued.

Note 2. Impact of Recently Adopted Accounting Standards

Adoption of new accounting standards — In July 2015, the Financial Accounting Standards Board ("FASB") issued updated guidance related to the simplification of the measurement of inventory. This standard update applies to inventory that is measured using first-in, first-out or average cost methods. The standard update requires entities to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This standard update is effective for fiscal years beginning after December 15, 2016. ARRIS adopted this update as of January 1, 2017. The adoption of this guidance did not have any impact on the Company's consolidated financial position and results of operations.

In March 2016, the FASB issued guidance, Improvements to Employee Share-Based Payment Accounting, which simplifies the accounting for share-based payment transactions. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the income statement. In addition, the new standard includes provisions that impact the classification of awards as either equity or liabilities and the classification of excess tax benefits on the cash flow statements. ARRIS adopted this guidance in the first quarter of 2017. Upon adoption, using the modified retrospective transition method, the Company recorded a cumulative-effect adjustment for previously unrecognized excess tax benefits of $8.9 million, decreasing opening accumulated deficit and increasing non-current deferred tax assets. Applying the guidance prospectively, an income tax expense of approximately $0.4 million was recognized in the six months ended June 30, 2017. Also as a result of the adoption of this guidance, the Company made an accounting policy election to continue to estimate the number of forfeitures expected to occur and has applied the amendments in this guidance relating to classification on the statement of cash flows prospectively, as such no prior periods have been adjusted. Following adoption, the primary impact on the Consolidated Financial Statements will be the recognition of excess tax benefits in the provision for income taxes rather than additional paid-in capital, which will likely result in increased volatility in the reported amounts of income tax expense and net income. The tax effects will be treated as discrete items in the quarter in which share-based amounts vest or are exercised. The actual impact of adopting this standard on the effective tax rate will vary depending on ARRIS's share price during fiscal 2017.

In October 2016, the FASB issued new guidance for intra-entity transfer of assets other than inventory that requires companies to immediately recognize income tax effects of intercompany transactions in their income statements, eliminating the current exception that allows companies to defer the income tax effects of certain intercompany transactions. The new guidance will be effective for public business entities in fiscal years beginning after December 15, 2017. Early adoption is only permitted as of the beginning of an annual reporting period. ARRIS adopted this update as of January 1, 2017. Upon adoption, using the modified retrospective transition method, the Company recorded a cumulative-effect adjustment for previously recognized prepaid income taxes, decreasing opening accumulated deficit by $2.0 million and increasing non-current deferred tax assets by $4.5 million, and decreasing other current prepaid asset by $2.5 million. Applying the guidance prospectively, an income tax expense of approximately $8.0 million was recognized in the quarter ended March 31, 2017. Also as a result of the adoption of this guidance, any future inter-company sale transactions of assets other than inventory will result in either income tax expense or benefit in the period of the transaction.

Accounting standards issued but not yet effective — In May 2014, the FASB issued accounting standard update, Revenue from Contracts with Customers. The standard requires an entity to recognize revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB issued several amendments to the standard since their initial issuance, including delaying its effective date to reporting periods beginning after December 15, 2017, but permitting companies the option to adopt the standard one year earlier, as well as clarifications on identifying performance obligations and accounting for licenses of intellectual property, among others.

There are two permitted transition methods under the new standard, the full retrospective method or the modified retrospective method. Under the full retrospective method, the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown on the face of the financial statements being presented. Under the modified retrospective method, the cumulative effect of applying the standard would be recognized at the date of the initial application of the standard and the effect of the prior periods would be calculated and shown through a change in retained earnings. ARRIS currently anticipates adopting the standard using the modified retrospective method on January 1, 2018.

The Company had a cross-functional team that analyzed the impact of the standard on our revenue streams and contract portfolio to identify potential differences that would arise from applying the requirements of the new standard. To date, the Company has identified major revenue streams, performed an analysis of a sample of contracts to evaluate the impact of the standard, and are finalizing our accounting policies and evaluating the new disclosure requirements. ARRIS is in the process of testing a new revenue recognition application, new business processes, and implementing new controls to support the adoption of the new standard.

While the Company continues to assess all potential impacts of adopting the new guidance, based on analysis completed to date, the new revenue standard is not expected to have a material impact on the amount or timing of revenue recognized in the Company's consolidated financial statements. The actual impact of adoption will be based on open contracts existing at December 31, 2017 and is subject to the finalization of our transition method. While the Company has not finalized its evaluation, in certain instances, the Company will recognize revenue earlier under the new standard. For example, ARRIS will recognize revenue earlier for certain software license contracts that the Company enters into with its customers. Likewise, the Company will recognize revenue earlier for certain arrangements with Value Added Resellers (VARs) currently accounted for utilizing the sell-through method.

In February 2016, the FASB issued new guidance that will require lessees to recognize most leases on their balance sheets as a right-of-use asset with a corresponding lease liability, and lessors to recognize a net lease investment. Additional qualitative and quantitative disclosures will also be required. This standard is effective for interim and annual reporting periods beginning after December 15, 2018, although early adoption is permitted. The Company has established a project management team to analyze the impact of this standard by reviewing its current accounting policies and practices to identify potential impacts that would result from the application of this standard. The Company has determined changes are likely required to its business processes, systems and controls to effectively report leases and disclosure under the new standard.

In August 2016, the FASB issued amended guidance on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of the amended guidance is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The amended guidance adds or clarifies guidance on eight cash flow issues, including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or certain other debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. The guidance is effective for the Company beginning January 1, 2018 for both interim and annual reporting periods, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Company is currently assessing the potential impact of the adoption of this guidance on its Consolidated Financial Statements.

In November 2016, the FASB issued new guidance that requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted. The amendment should be adopted retrospectively. The Company is currently assessing the potential impact of the adoption of this guidance on its Consolidated Financial Statements.

In January 2017, the FASB issued an accounting standard update that clarifies the definition of a business to help companies evaluate whether acquisition or disposal transactions should be accounted for as asset groups or as businesses. The accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2019 on a prospective basis. The impact of this accounting standard update will be facts and circumstances dependent, but the Company expects that in some situations transactions that were previously accounted for as business combinations or disposal transactions will be accounted for as asset purchases or asset sales under the accounting standard update.

In January 2017, the FASB issued an accounting standard update that removes Step two of the goodwill impairment test, which requires the assessment of fair value of individual assets and liabilities of a reporting unit to measure goodwill impairments. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value. The accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2021 on a prospective basis, and early adoption is permitted. The Company is currently assessing the potential impact of the adoption of this guidance on its Consolidated Financial Statements.

In March 2017, the FASB issued an accounting standard update that requires entities to disaggregate the service cost component from the other components of net periodic benefit costs and present it with other current compensation costs for related employees in the income statement, and present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. The accounting standard update will be effective for the Company in the first quarter of fiscal 2019. Early adoption is permitted. The Company is currently assessing the potential impact of the adoption of this guidance on its Consolidated Financial Statements.

In May 2017, the FASB issued an accounting standard which amends the scope of modification accounting for share-based payment arrangements. The standard provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. The accounting standard will be applied prospectively to awards modified on or after the effective date. It will be effective for interim and annual periods beginning after December 15, 2017 (January 1, 2018 for the Company). Early adoption is permitted. The Company is currently assessing the potential impact of the adoption of this guidance on its Consolidated Financial Statements.

Note 3. Business Acquisition

Acquisition of Pace

On January 4, 2016, ARRIS completed its previously announced acquisition of Pace, a leading international technology solutions provider, for approximately $2,074 million, including $638.8 million in cash and issuance of 47.7 million shares of ARRIS International plc (formerly ARRIS International Limited) ("New ARRIS") ordinary shares and $0.3 million of non-cash consideration.

The Company completed the accounting for the aforementioned business combination during the fourth quarter of 2016.

Pending acquisition of Ruckus Wireless and ICX Switch business

On February 22, 2017, ARRIS, Broadcom Corporation, and a subsidiary of Broadcom entered into a Stock and Asset Purchase Agreement ("Purchase Agreement"), pursuant to which, upon the terms and subject to the satisfaction or waiver of the conditions in the Purchase Agreement, ARRIS will acquire Brocade Communication Systems Inc.'s Ruckus Wireless and ICX Switch product lines (the "Ruckus Networks") for approximately $800 million in cash, subject to adjustment as provided in the Purchase Agreement. The acquisition is subject to the completion of the acquisition of Brocade by Broadcom. The Company anticipates closing the acquisition early in the fourth quarter of 2017, once regulatory approvals are complete.

This acquisition of these product lines will expand ARRIS's leadership in converged wired and wireless networking technologies beyond the home into the education, public venue, enterprise, hospitality, and MDU segments. ARRIS plans to establish a dedicated business segment within the Company focused on innovative wireless networking and wired switching technology to address evolving and emerging needs across a number of vertical markets.

Note 4. Goodwill and Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the year to date period ended June 30, 2017 are as follows (in thousands):

	CPE	N & C	Total
Goodwill	$1,391,171	$1,003,654	$2,394,825
Accumulated impairment losses	—	(378,656)	(378,656)
Balance as of December 31, 2016	$1,391,171	$ 624,998	$2,016,169
Changes in year 2017:			
Currency translation and other	(1,619)	—	(1,619)
Balance as of June 30, 2017	$1,389,552	$ 624,998	$2,014,550
Goodwill	1,389,552	1,003,654	2,393,206
Accumulated impairment losses	—	(378,656)	(378,656)
Balance as of June 30, 2017	$1,389,552	$ 624,998	$2,014,550

Intangible Assets

The gross carrying amount and accumulated amortization of the Company's acquired intangible assets are as follows (in thousands):

	June 30, 2017			December 31, 2016		
	Gross Amount	Accumulated Amortization	Net Book Value	Gross Amount	Accumulated Amortization	Net Book Value
Definite-lived intangible assets:						
Customer relationships	$1,572,554	$ 702,099	$ 870,455	$1,572,947	$ 624,719	$ 948,228
Developed technology, patents & licenses	1,250,894	671,853	579,041	1,248,719	571,808	676,911
Trademarks, trade and domain names	62,872	31,265	31,607	83,472	41,433	42,039
Backlog	—	—	—	16,400	16,400	—
Sub-total	$2,886,320	$1,405,217	$1,481,103	$2,921,538	$1,254,360	$1,667,178
Indefinite-lived intangible assets:						
Trademarks	5,900	—	5,900	5,900	—	5,900
In-process research and development	4,100	—	4,100	4,100	—	4,100
Sub-total	10,000	—	10,000	10,000	—	10,000
Total	$2,896,320	$1,405,217	$1,491,103	$2,931,538	$1,254,360	$1,677,178

As of June 30, 2017, certain fully amortized intangible assets have been eliminated from both the gross and accumulated amortization amounts.

Amortization expense is reported in the consolidated statements of operations within cost of goods sold and operating expenses. The following table presents the amortization of acquired intangible assets (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Cost of sales	$ 711	$ 667	$ 1,422	$ 1,033
Selling, general and administrative expenses	949	949	1,899	1,899
Amortization of acquired intangible assets (1)	91,012	109,883	184,657	208,375
Total	$ 92,672	$ 111,499	$ 187,978	$ 211,307

(1) Reflects amortization expense for the intangible assets acquired through business combinations.

The estimated total amortization expense for finite-lived intangibles for each of the next five fiscal years is as follows (in thousands):

2017 (for the remaining six months)	$183,556
2018	316,628
2019	270,596
2020	258,866
2021	124,079
Thereafter	327,378

Note 5. Investments

ARRIS's investments consisted of the following (in thousands):

	As of June 30, 2017	As of December 31, 2016
Current Assets:		
Available-for-sale securities	$ 38,759	$ 115,553
Noncurrent Assets:		
Available-for-sale securities	5,304	15,391
Equity method investments	22,216	22,688
Cost method investments	4,092	6,841
Other investments	29,435	28,012
Total classified as non-current assets	61,047	72,932
Total	$ 99,806	$ 188,485

Available-for-sale securities—ARRIS's investments in debt and marketable equity securities are categorized as available-for-sale and are carried at fair value. Realized gains and losses on available-for-sale securities are included in net income. Unrealized gains and losses on available-for-sale securities are included in the Consolidated Balance Sheets as a component of accumulated other comprehensive income (loss).

The amortized costs and fair value of available-for-sale securities were as follows (in thousands):

	June 30, 2017				December 31, 2016			
	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit (foreign)	$ 12,644	$ —	$ —	$12,644	$ 87,372	$ —	$ —	$ 87,372
Corporate bonds	26,096	21	(5)	26,112	34,175	35	(77)	34,133
Short-term bond fund	—	—	—	—	5,046	69	(69)	5,046
Corporate obligations	4	—	—	4	3	—	—	3
Money markets	54	—	—	54	54	—	—	54
Mutual funds	108	3	—	111	94	28	(21)	101
Other investments	4,993	145	—	5,138	4,192	530	(487)	4,235
Total	$ 43,899	$ 169	$ (5)	$44,063	$130,936	$ 662	$ (654)	$130,944

The following table represents the breakdown of the available-for-sale investments with gross unrealized losses and the duration that those losses had been unrealized (in thousands):

	June 30, 2017					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Certificates of deposit (foreign)	$ 12,644	$ —	$—	$ —	$ 12,644	$ —
Corporate bonds	26,112	(5)	—	—	26,112	(5)
Short-term bond fund	—	—	—	—	—	—
Corporate obligations	4	—	—	—	4	—
Money markets	54	—	—	—	54	—
Mutual funds	111	—	—	—	111	—
Other investments	5,138	—	—	—	5,138	—
Total	$ 44,063	$ (5)	$—	$ —	$ 44,063	$ (5)

	December 31, 2016					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Certificates of deposit (foreign)	$ 87,372	$ —	$—	$ —	$ 87,372	$ —
Corporate bonds	34,133	(77)	—	—	34,133	(77)
Short-term bond fund	5,046	(69)	—	—	5,046	(69)
Corporate obligations	3	—	—	—	3	—
Money markets	54	—	—	—	54	—
Mutual funds	101	(21)	—	—	101	(21)
Other investments	4,235	(487)	—	—	4,235	(487)
Total	$130,944	$ (654)	$—	$ —	$130,944	$ (654)

As of June 30, 2017, for fixed income securities that were in unrealized loss positions, the Company has determined that (i) it does not have the intent to sell any of these investments, and (ii) it is more likely than not that it will not be required to sell any of these investments before recovery of the entire amortized cost basis.

The sale and/or maturity of available-for-sale securities resulted in the following activity (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Proceeds from sales	$ 58,416	$ 348	$ 150,301	$ 2,442
Gross gains	2	—	12	26
Gross losses	—	—	—	—

The contractual maturities of the Company's available-for-sale securities are shown below. Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties (in thousands):

	June 30, 2017	
	Amortized Cost	Fair Value
Within 1 year	$ 38,744	$ 38,759
After 1 year through 5 years	—	—
After 5 year through 10 years	—	—
After 10 years	5,155	5,304
Total	$ 43,899	$ 44,063

Other-than-temporary investment impairments—In making this determination, ARRIS evaluates its investments for any other-than-temporary impairment on a quarterly basis considering all available evidence, including changes in general market conditions, specific industry and individual entity data, the financial condition and the near-term prospects of the entity issuing the security, and the Company's ability and intent to hold the investment until recovery. For the six months ended June 30, 2017, ARRIS concluded that one private company had indicators of impairment, as the cost basis exceeded the fair value of the investment, resulting in an other-than-temporary impairment charge of $2.8 million. For the year ended December 31, 2016, the Company concluded that two private companies had indicators of impairment, as the cost basis exceeded the fair value of the investments, resulting in an other-than-temporary impairment charges of $12.3 million. These charges are reflected in the Consolidated Statements of Operations.

Classification of securities as current or noncurrent is dependent upon management's intended holding period, the security's maturity date and liquidity consideration based on market conditions. If management intends to hold the securities for longer than one year as of the balance sheet date, they are classified as noncurrent.

Note 6. Fair Value Measurement

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a fair value hierarchy that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities. In order to increase consistency and comparability in fair value measurements, the FASB has established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. An asset or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of its fair value. The three levels of input defined by U.S. GAAP are as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available.

The following table presents the Company's investment assets (excluding equity and cost method investments) and derivatives measured at fair value on a recurring basis (in thousands):

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Certificates of deposit (foreign)	$ —	$12,644	$ —	$12,644
Corporate bonds	—	26,112	—	26,112
Corporate obligations	—	4	—	4
Money markets	54	—	—	54
Mutual funds	111	—	—	111
Other investments	—	5,138	—	5,138
Interest rate derivatives — asset derivatives	—	7,906	—	7,906
Interest rate derivatives — liability derivatives	—	(7,991)	—	(7,991)
Foreign currency contracts — asset position	—	273	—	273
Foreign currency contracts — liability position	—	(9,292)	—	(9,292)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Certificates of deposit (foreign)	$ —	$87,372	$ —	$87,372
Corporate bonds	—	34,133	—	34,133
Short-term bond fund	5,046	—	—	5,046
Corporate obligations	—	3	—	3
Money markets	54	—	—	54
Mutual funds	101	—	—	101
Other investments	—	4,235	—	4,235
Interest rate derivatives — asset derivatives	—	7,860	—	7,860
Interest rate derivatives — liability derivatives	—	(9,006)	—	(9,006)
Foreign currency contracts — asset position	—	7,369	—	7,369
Foreign currency contracts — liability position	—	(3,671)	—	(3,671)

In addition to the financial instruments included in the above table, certain nonfinancial assets and liabilities are measured at fair value on a nonrecurring basis in accordance with applicable authoritative guidance. This includes items such as nonfinancial assets and liabilities initially measured at fair value in a business combination (but not measured at fair value in subsequent periods) and nonfinancial long-lived asset groups measured at fair value for an impairment assessment. In general, nonfinancial assets including goodwill, other intangible assets and property and equipment are measured at fair value when there is an indication of impairment and are recorded at fair value only when any impairment is recognized. As of June 30, 2017, the Company had not recorded any impairment related to such assets and had no other material nonfinancial assets or liabilities requiring adjustments or write-downs to their current fair value.

The Company believes the principal amount of debt as of June 30, 2017 approximated fair value because of interest-bearing rates that are adjusted periodically, analysis of recent market conditions, prevailing interest rates, and other Company specific factors. The Company has classified the debt as a Level 2 item within the fair value hierarchy.

Note 7. Derivative Instruments and Hedging Activities

Overview

ARRIS is exposed to financial market risk, primarily related to foreign currency and interest rates. These exposures are actively monitored by management. To manage the volatility relating to certain of these exposures, the Company enters into a variety of derivative financial instruments. Management's objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign currency and interest rates. ARRIS's policies and practices are to use derivative financial instruments only to the extent necessary to manage exposures. ARRIS does not hold or issue derivative financial instruments for trading or speculative purposes.

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives also may be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting. In accordance with the FASB's fair value measurement guidance, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Cash Flow Hedges of Interest Rate Risk

The Company's senior secured credit facilities, which are comprised of (i) a "Term Loan A Facility", (ii) a "Term Loan A-1 Facility", (iii) a "Term Loan B-2 Facility", and (iv) a "Revolving Credit Facility", have variable interest rates based on LIBOR. (See Note 13 *Indebtedness* for additional details.) As a result of exposure to interest rate movements, ARRIS Group entered into various interest rate swap arrangements, which effectively converted $625 million of its variable-rate debt based on one-month LIBOR to an aggregate fixed rate. The aggregated fixed rate changes as certain swaps mature and other swaps begin and could vary up by 50 basis points or down by 25 basis points based on future changes to the Company's net leverage ratio. Based on the Company's interest rates as of March 31, 2017, the aggregate fixed rate for swaps in effect and outstanding through December 29, 2017 is 3.15% per annum, and the aggregate fixed rate for swaps in effect and outstanding from December 29, 2017 through March 31, 2020 is 4.00% per annum. ARRIS Group has designated these swaps as cash flow hedges, and the objective of these hedges is to manage the variability of cash flows in the interest payments related to the portion of the variable-rate debt designated as being hedged.

During 2016, ARRIS entered into nine $50 million interest rate swap arrangements as a result of the additional exposure from the new Term Loan A-1 Facility. These arrangements effectively converted $450 million of the Company's variable-rate debt based on one-month LIBOR to an aggregate fixed rate of 2.73% per annum based on the Company's interest rates as of June 30, 2017. This fixed rate could vary by up 50 basis points or down by 25 basis points based on future changes to the Company's net leverage ratio. Each of these swaps matures on March 31, 2020. ARRIS has designated these swaps as cash flow hedges, and the objective of these hedges is to manage the variability of cash flows in the interest payments related to the portion of the variable-rate debt designated as being hedged.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2017, such derivatives were used to hedge the variable cash flows associated with debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and six months ended June 30, 2017, the Company did not have expenses related to hedge ineffectiveness in earnings.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. Over the next 12 months, the Company estimates that an additional $1.2 million may be reclassified as an increase to interest expense.

The table below presents the impact the Company's derivative financial instruments had on the Accumulated Other Comprehensive Income and Statement of Operations (in thousands):

	Location of Gain(Loss) Reclassified from AOCI into Income	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Loss Recognized in OCI on Derivatives (Effective Portion)	Interest expense	$(2,787)	$(9,263)	$ (733)	(24,438)
Amounts Reclassified from Accumulated OCI into Income (Effective Portion)	Interest expense	590	1,938	1,795	3,679

The following table indicates the location on the Consolidated Balance Sheets in which the Company's derivative assets and liabilities designated as hedging instruments have been recognized and the related fair values of those derivatives were as follows (in thousands):

	Balance Sheet Location	June 30, 2017	December 31, 2016
Interest rate derivatives — asset derivatives	Other current assets	1,719	222
Interest rate derivatives — asset derivatives	Other assets	6,187	8,043
Interest rate derivatives — liability derivatives	Other accrued liabilities	(2,863)	(2,989)
Interest rate derivatives — liability derivatives	Other noncurrent liabilities	(5,128)	(6,421)

Credit-risk-related Contingent Features

ARRIS has agreements with each of its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness. As of June 30, 2017 and December 31, 2016, the fair value of derivatives, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was a net liability position of $0.3 million and a net liability position of $1.4 million, respectively. As of June 30, 2017, the Company has not posted any collateral related to these agreements nor has it required any of its counterparties to post collateral related to these or any other agreements.

Non-designated hedges of foreign currency risk

The Company has U.S. dollar functional currency entities that bill certain international customers in their local currency and foreign functional currency entities that procure in U.S. dollars. ARRIS also has certain predictable expenditures for international operations in local currency. Additionally, certain intercompany transactions are denominated in foreign currencies and subject to revaluation. To mitigate the volatility related to fluctuations in the foreign exchange rates for certain exposures, ARRIS has entered into various foreign currency contracts. As of June 30, 2017, the Company had option collars with notional amounts totaling 30 million euros which mature in throughout 2017, forward contracts with notional amounts totaling 30 million euros which mature throughout 2017 and 2018, forward contracts with a total notional amount of 60 million Australian dollars which mature throughout 2017 and 2018, forward contracts with notional amounts totaling 35 million Canadian dollars which mature throughout 2017, forward contracts with notional amounts totaling 55 million British pounds which mature throughout 2017 and forward contracts with notional amounts totaling 611.7 million South African rand which mature throughout 2017 and 2018.

The Company's objectives in using foreign currency derivatives are to add stability to foreign currency gains and losses recorded as other expense (income) and to manage its exposure to foreign currency movements. To accomplish this objective, the Company uses foreign currency option and foreign currency forward contracts as part of its foreign currency risk management strategy. The Company's foreign currency derivative instruments economically hedge certain risk but are not designated as hedges, and accordingly, all changes in the fair value of the instruments are recognized as a loss (gain) on foreign currency in the Consolidated Statements of Operations. The maximum time frame for ARRIS's derivatives is currently 13 months.

The following table indicates the location on the Consolidated Balance Sheets in which the Company's derivative assets and liabilities not designated as hedging instruments have been recognized and the related fair values of those derivatives were as follows (in thousands):

	Balance Sheet Location	June 30, 2017	December 31, 2016
Foreign exchange contracts — asset derivatives	Other current assets	$ 244	$ 7,369
Foreign exchange contracts — asset derivatives	Other assets	29	—
Foreign exchange contracts — liability derivatives	Other accrued liabilities	(9,292)	(3,671)

The change in the fair values of ARRIS's derivatives not designated as hedging instruments recorded in the Consolidated Statements of Operations were as follows (in thousands):

	Statement of Operations Location	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Foreign exchange contracts	(Gain) loss on foreign currency	$ 9,612	$ (5,507)	$ 16,319	11,948

Note 8. Pension Benefits

Components of Net Periodic Pension Cost (in thousands):

	U.S. Pension Plans		Non-U.S. Pension Plans	
	Three months ended June 30,		Three months ended June 30,	
	2017	2016	2017	2016
Service cost	$ —	$ —	$ 154	$ 173
Interest cost	434	438	113	151
Return on assets (expected)	(224)	(199)	(75)	(68)
Amortization of net actuarial loss	138	136	—	—
Net periodic pension cost	$ 348	$ 375	$ 192	256

	U.S. Pension Plans		Non-U.S. Pension Plans	
	Six months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Service cost	$ —	$ —	$ 308	$ 346
Interest cost	867	875	226	302
Return on assets (expected)	(448)	(397)	(150)	(136)
Amortization of net actuarial loss (gain)	276	272	—	(1,897)

Net periodic pension cost (benefit)	$ 695	$ 750	$ 384	$ (1,385)

Employer Contributions

No minimum funding contributions are required in 2017 under the Company's U.S. defined benefit plan. During the three and six months ended June 30, 2017, the Company made a minimum funding contribution of $0.3 and $0.6 million, respectively, related to its Taiwan pension plan. During the three and six months ended June 30, 2016, the Company made a minimum funding contribution of zero and $9.6 million, respectively, related to its Taiwan pension plan.

Note 9. Guarantees

Warranty

ARRIS provides warranties of various lengths to customers based on the specific product and the terms of individual agreements. The Company provides for the estimated cost of product warranties based on historical trends, the embedded base of product in the field, failure rates, and repair costs at the time revenue is recognized. Expenses related to product defects and unusual product warranty problems are recorded in the period that the problem is identified. While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its suppliers, the estimated warranty obligation could be affected by changes in ongoing product failure rates, material usage and service delivery costs incurred in correcting a product failure, as well as specific product failures outside of ARRIS's baseline experience. If actual product failure rates, material usage or service delivery costs differ from estimates, revisions (which could be material) would be recorded to the warranty liability.

The Company offers extended warranties and support service agreements on certain products. Revenue from these agreements is deferred at the time of the sale and recognized on a straight-line basis over the contract period. Costs of services performed under these types of contracts are charged to expense as incurred, which approximates the timing of the revenue stream.

Information regarding the changes in ARRIS's aggregate product warranty liabilities for the six months ended June 30, 2017 was as follows (in thousands):

Balance at December 31, 2016	$ 88,187
Accruals related to warranties (including changes in assumptions)	18,225
Settlements made (in cash or in kind)	(23,807)
Balance at June 30, 2017	$ 82,605

Note 10. Inventories

The components of inventory were as follows, net of reserves (in thousands):

	June 30, 2017	December 31, 2016
Raw material	$ 95,224	$ 86,243
Work in process	5,296	3,877
Finished goods	557,361	461,421
Total inventories, net	$657,881	$ 551,541

Note 11. Property, Plant and Equipment

Property, plant and equipment, at cost, consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Land	$ 68,562	$ 68,562
Buildings and leasehold improvements	193,427	163,333
Machinery and equipment	449,257	440,955
	711,246	672,850
Less: Accumulated depreciation	(356,213)	(319,473)
Total property, plant and equipment, net	$ 355,033	$ 353,377

Note 12. Restructuring, Acquisition and Integration

Restructuring

The following table represents a summary of and changes to the restructuring accrual, which is primarily composed of accrued severance and other employee costs and contractual obligations that related to excess leased facilities (in thousands):

	Employee severance & termination benefits	Contractual obligations and other	Write-off of property, plant and equipment	Total
Balance at December 31, 2016	$ 27,886	$ 2,243	$ —	$ 30,129
Restructuring charges	7,464	4,560	1,453	13,477
Cash payments / adjustments	(16,410)	(2,452)	—	(18,862)
Non-cash expense	—	—	(1,453)	(1,453)
Balance at June 30, 2017	$ 18,940	$ 4,351	$ —	$ 23,291

Employee severance and termination benefits – In the first half of 2017, ARRIS recorded restructuring charges of $7.5 million related to severance and employee termination benefits for 115 employees. This initiative affected all segments. The liability for the plan is expected to be paid in 2017.

In first quarter of 2016, ARRIS completed its acquisition of Pace. ARRIS initiated restructuring plans as a result of the Acquisition that focuses on the rationalization of personnel, facilities and systems across the ARRIS organization. The cost recorded during 2016 was approximately $96.3 million. The restructuring plan affected approximately 1,545 employees across the company. The remaining liability is expected to be paid in 2017. The restructuring charges are included in the Consolidated Statement of Operations in the line item titled "Integration, acquisition, restructuring costs and other costs".

Contractual obligations – ARRIS has accruals representing contractual obligations that relate to excess leased facilities. A liability for such costs is recognized and measured initially at fair value on the cease-use date based on remaining lease rentals, adjusted for the effects of any prepaid or deferred items recognized, reduced by the estimated sublease rentals that could be reasonably obtained even if it is not the intent to sublease. The fair value of these liabilities is based on a net present value model using a credit-adjusted risk-free rate. The liability will be paid out over the remainder of the leased properties' terms, which continue through 2021. Actual sublease terms may differ from the estimates originally made by the Company. Any future changes in the estimates or in the actual sublease income could require future adjustments to the liabilities, which would impact net income in the period the adjustment is recorded. During the first half of 2017, the Company exited two additional facilities and recorded a charge of $4.6 million.

Write-off of property, plant and equipment – As part of the restructuring plan initiated as a result of the Pace acquisition, the Company recorded a restructuring charge of $1.5 million related to the write-off of property, plant and equipment associated with a closure of a facility. This restructuring plan was related to the Corporate segment.

Acquisition

During the three and six months ended June 30, 2017, acquisition expenses were approximately $2.3 million and $4.7 million, respectively. These expenses related to the pending acquisition of the Ruckus Wireless and ICX Switch product lines and consisted of banker and other fees. During the three and six months ended June 30, 2016, acquisition expenses were approximately $1.1 million and $29.0 million, respectively. These expenses related to banker fees, legal fees and other direct costs of the Combination.

Integration

Integration expenses of approximately $0.3 million and $1.6 million were recorded during the three months and six months ended June 30, 2017, respectively, related to integration-related outside services following the Combination. Integration expenses of $6.4 million and $18.5 million, respectively, were recorded during the three and six months ended June 30, 2016.

Note 13. Indebtedness

The following is a summary of indebtedness and lease financing obligations (in thousands):

	As of June 30, 2017	As of December 31, 2016
Current liabilities:		
Term A loan	$ 49,500	$ 49,500
Term A-1 loan	40,000	40,000
Term B-2 loan	5,450	—
Lease finance obligation	784	775
Current obligations	95,734	90,275
Current deferred financing fees and debt discount	(6,398)	(7,541)
	89,336	82,734
Noncurrent liabilities:		
Term A loan	841,500	866,250
Term A-1 loan	710,000	730,000
Term B loan	—	543,812
Term B-2 loan	538,188	—
Revolver	—	—
Lease finance obligation	61,488	57,902
Noncurrent obligations	2,151,176	2,197,964
Noncurrent deferred financing fees and debt discount	(16,670)	(17,955)
	2,134,506	2,180,009
Total	$ 2,223,842	$ 2,262,743

Senior Secured Credit Facilities

On June 18, 2015, ARRIS Group amended and restated its existing credit agreement dated March 27, 2013 (the “Existing Credit Agreement”) 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 to fund the acquisition of Pace. The credit facility under the amended credit agreement (the “Amended Credit Agreement”) is comprised of (i) a “Term Loan A Facility” of $990 million, (ii) a “Term Loan B Facility” of $543.8 million, (iii) a “Revolving Credit Facility” of $500 million and (iv) a “Term Loan A-1 Facility” of $800 million, was funded upon the closing of the acquisition of Pace in 2016. Under the Amended Credit Agreement, the Term Loan A Facility, Term Loan A-1 Facility and the Revolving Credit Facility will mature on June 18, 2020. The Term Loan B Facility was scheduled to mature on April 17, 2020, but has been amended as described below.

On April 26, 2017, ARRIS and certain of ARRIS’s subsidiaries entered into a Second Amendment (the “Second Amendment”) to its Amended and Restated Credit Facility dated June 18, 2015, as previously amended on December 15, 2015 (the “Credit Agreement”). The Second Amendment provides for a new Term B Loan facility in the principal amount of $545 million, the proceeds of which (along with cash on hand) were used to repay the existing Term B Loan facility. Under the terms of the Second Amendment, the new Term B-2 Loan has a maturity date of April 2024 and an interest rate of LIBOR plus a percentage ranging from 2.25% to 2.50% for Eurocurrency Rate Loans (as defined in the Credit Agreement), or the prime rate plus a percentage ranging from 1.25% to 1.50% for Base Rate Loans (as defined in the Credit Agreement), in either case depending on the Company’s consolidated net leverage ratio. All other material terms of the Credit Agreement remain unchanged.

In connection with the Second Amendment to the Credit Agreement, the Company capitalized approximately $0.1 million of financing fees and $1.4 million of original issuance discount. In addition, the Company expensed approximately $2.5 million of debt issuance costs and wrote off approximately $0.3 million of existing debt issuance costs associated with certain lenders who were not party to the Term Loan B-2 Facility, which were included as interest expense in the Consolidated Statements of Operations for the three and six months ended June 30, 2017.

Interest rates on borrowings under the senior secured credit facilities are set forth in the table below.

	Rate	As of June 30, 2017
Term Loan A	LIBOR + 1.75 %	2.98%
Term Loan A-1	LIBOR + 1.75 %	2.98%
Term Loan B-2	LIBOR + 2.50 %	3.73%
Revolving Credit Facility(1)	LIBOR + 1.75 %	Not Applicable

(1) Includes unused commitment fee of 0.35% and letter of credit fee of 1.75% not reflected in interest rate above.

The Amended Credit Agreement provides for adjustments to the interest rates paid on the Term Loan A, Term Loan A-1, Term Loan B-2 and Revolving Credit Facility based upon the achievement of certain leverage ratios.

Borrowings under the senior secured credit facilities are secured by first priority liens on substantially all of the assets of ARRIS and certain of its present and future subsidiaries who are or become parties to, or guarantors under, the Amended Credit Agreement governing the senior secured credit facilities. The Amended Credit Agreement provides terms for mandatory prepayments, optional prepayments and commitment reductions. The Amended Credit Agreement also includes events of default, which are customary for facilities of this type (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all amounts outstanding under the credit facilities may be accelerated. The Amended Credit Agreement contains usual and customary limitations on indebtedness, liens, restricted payments, acquisitions and asset sales in the form of affirmative, negative and financial covenants, which are customary for financings of this type, including the maintenance of a minimum interest coverage ratio of 3.50:1 and a maximum leverage ratio of 3.50:1. As of June 30, 2017, ARRIS was in compliance with all covenants under the Amended Credit Agreement.

During the three and six months ended June 30, 2017, the Company made mandatory prepayments of approximately $23.7 million and $46.1 million, respectively, related to the senior secured credit facilities.

As of June 30, 2017, the scheduled maturities of the contractual debt obligations for the next five years are as follows (in thousands):

2017 (for the remaining six months)	$ 47,475
2018	94,950
2019	94,950
2020	1,422,700
2021	5,450
Thereafter	519,113

Lease Financing Obligation

In 2015, the Company sold its San Diego office complex consisting of land and buildings. The Company concurrently entered into a leaseback arrangement for two of the buildings (Building 1 and Building 2). Building 1 did not qualify for sale-leaseback accounting due to continuing involvement that will exist for the 10-year lease term. Accordingly, the carrying value of Building 1 will remain on the Company's balance sheet and will be depreciated over the ten-year lease period with the proceeds reflected as a financing obligation.

During the quarter ended June 30, 2017, the Company recorded a $4.0 million increase to both the financing obligation and the building asset, which will be depreciated, as a result of lessor funded improvements.

Note 14. Segment Information

The "management approach" has been used to present the following segment information. This approach is based upon the way the management of the Company organizes segments within an enterprise for making operating decisions and assessing performance. Financial information is reported on the basis that it is used internally by the chief operating decision maker ("CODM") for evaluating segment performance and deciding how to allocate resources to segments. The Company's chief executive officer has been identified as the CODM.

Our CODM manages the Company under two segments:

- ***Customer Premises Equipment ("CPE")*** – The CPE segment's product solutions include set-top boxes, gateways, and subscriber premises equipment that enable service providers to offer Voice, Video and high-speed data services to residential and business subscribers.
- ***Network & Cloud ("N&C")*** – The N&C segment's product solutions include cable modem termination system, video infrastructure, distribution and transmission equipment and cloud solutions that enable facility-based service providers to construct a state-of-the-art residential and metro distribution network. The portfolio also includes a full suite of global services that offer technical support, professional services, repair services and system integration offerings to enable solutions sales of ARRIS's end-to-end product portfolio.

These operating segments were determined based on the nature of the products and services offered. The measures that are used to assess the reportable segment's operating performance are sales and direct contribution. Direct contribution is defined as gross margin less direct operating expense. The "Corporate and Unallocated Costs" category of expenses include corporate sales and marketing, home office general and administrative expenses, annual bonus and equity compensation. These expenses are not included in the measure of segment direct contribution and as such are reported as "Corporate and Unallocated Costs" and are included in the reconciliation to income (loss) before income taxes. A measure of assets is not applicable, as segment assets are not regularly reviewed by the CODM for evaluating performance or allocating resources.

The table below represents information about the Company's reportable segments (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales to external customers:				
CPE	$1,155,883	$1,170,254	$2,210,939	$2,261,082
N&C	510,972	563,493	941,408	1,087,730
Other	(2,685)	(3,703)	(5,071)	(4,062)
Total	1,664,170	1,730,044	3,147,276	3,344,750
Direct contribution:				
CPE	123,724	177,545	242,139	309,509
N&C	192,775	183,298	324,493	340,282
Segment total	316,499	360,843	566,632	649,791
Corporate and unallocated costs	(160,161)	(174,435)	(310,637)	(360,461)
Amortization of intangible assets	(91,012)	(109,883)	(184,657)	(208,375)
Integration, acquisition, restructuring and other	(9,690)	(43,137)	(19,785)	(134,057)
Operating income (loss)	55,636	33,388	51,553	(53,102)
Interest expense	23,344	19,102	43,027	38,728
Loss on investments	3,609	6,389	8,139	8,348
Interest income	(1,788)	(1,185)	(3,709)	(1,968)
(Gain) loss on foreign currency	9,373	(9,801)	14,113	2,440
Other expense (income), net	926	5,219	841	4,869
Income (loss) before income taxes	$ 20,172	$ 13,664	$ (10,858)	$ (105,519)

The compositions of our corporate and unallocated costs that are reflected in the consolidated statement of operations were as follow (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Corporate and unallocated costs:				
Cost of sales	$ 21,461	$ 41,277	$ 43,544	$ 88,665
Selling, general and administrative expenses	95,835	88,598	182,860	183,971
Research and development expenses	42,865	44,560	84,233	87,825
Total	$ 160,161	$ 174,435	$ 310,637	$ 360,461

Note 15. Sales Information

ARRIS sells its products primarily in the United States. The Company's international revenue is generated from Asia Pacific, Canada, Europe, Middle East and Latin America. Sales to customers outside of United States were approximately 32.6% and 28.0% of total sales for the three months ended June 30, 2017 and 2016, respectively. For the six months ended June 30, 2017 and 2016, sales to customers outside of United States were approximately 33.9% and 26.2%, respectively.

The table below set forth our domestic (U.S.) and international sales (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Domestic – U.S	$1,121,079	$1,245,622	$2,079,556	$2,468,302
Americas, excluding U.S.	256,260	248,132	548,861	483,053
Asia Pacific	108,458	87,338	160,373	124,720
EMEA	178,373	148,952	358,486	268,675
Total international	543,091	484,422	1,067,720	876,448
Total sales	$1,664,170	$1,730,044	$3,147,276	$3,344,750

Note 16. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share ("EPS") computations for the periods indicated (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Basic:				
Net income (loss) attributable to ARRIS International plc	$ 30,336	$ 84,228	$ (8,762)	$ (118,345)
Weighted average shares outstanding	186,803	190,409	188,291	191,076
Basic earnings (loss) per share	$ 0.16	$ 0.44	$ (0.05)	$ (0.62)
Diluted:				
Net income (loss) attributable to ARRIS International plc	$ 30,336	$ 84,228	$ (8,762)	$ (118,345)
Weighted average shares outstanding	186,803	190,409	188,291	191,076
Net effect of dilutive equity awards	2,199	841	—	—
Total	189,002	191,250	188,291	191,076
Diluted earnings (loss) per share	$ 0.16	$ 0.44	$ (0.05)	$ (0.62)

Potential dilutive shares include unvested restricted and performance awards and warrants.

For the three months ended June 30, 2017 and 2016, approximately 3.4 million and 2.5 million of the equity-based awards were excluded from the computation of diluted earnings per share. During the six months ended June 30, 2017 and 2016, all of the equity-based awards were excluded from the computation of diluted earnings per share. These exclusions are made if the exercise price of these equity-based awards is in excess of the average market price of the shares for the period, or if the Company has net losses, both of which have an anti-dilutive effect.

During the six months ended June 30, 2017, the Company issued 1.3 million ordinary shares related to the vesting of restricted shares, as compared to 2.3 million shares for the twelve months ended December 31, 2016.

The warrants have a dilutive effect in those periods in which the average market price of the shares exceeds the current effective conversion price (under the treasury stock method), and are not subject to performance conditions. During the fourth quarter of 2016, approximately 2.2 million warrants vested based on the amount of purchases of products and services by the respective customers from the Company. There is no vesting in the first half of 2017. The dilutive effect of these vested shares was immaterial.

In connection with the Combination, ARRIS issued approximately 47.7 million ARRIS International plc ordinary shares as part of the purchase consideration. The fair value of the 47.7 million shares issued, $1,434.7 million, was determined based on the conversion of each of Pace's shares and equity awards outstanding at a conversion rate of 0.1455 with a value of $30.08 at January 4, 2016, which represents the opening price of the Company's shares at the date of Combination.

The Company has not paid cash dividends on its shares since its inception. Any future determination to pay dividends will be at the discretion of the Board of Directors and will be dependent on then-existing conditions, including the Company's financial condition, results of operations, capital requirements, contractual and legal restrictions, business prospects and other factors that the Board considers relevant. The Amended Credit Agreement contains restrictions on the Company's ability to pay dividends on its ordinary shares.

Note 17. Income Taxes

On January 4, 2016, ARRIS Group completed the Combination transaction with Pace, a company incorporated in England and Wales. In connection with the Combination, (i) ARRIS International plc ("ARRIS"), a company incorporated in England and Wales, acquired all of the outstanding ordinary shares of Pace (the "Pace Acquisition") and (ii) a wholly-owned subsidiary of ARRIS was merged with and into ARRIS Group (the "Merger"), with ARRIS Group surviving the Merger as an indirect wholly-owned subsidiary of ARRIS. As a result of the Merger, ARRIS incurred withholding taxes of $55 million. Subsequent to the Merger, ARRIS is subject to the U.K. statutory tax rate and a territorial corporate tax system. The U.K. statutory rate for 2017 is 19.25% as compared to 20% in 2016. The statutory rate in the U.K. decreased from 20% to 19% effective April 1, 2017. The Company's statutory rate for 2017 represents the blended rate that will be in effect for the year ended December 31, 2017 based on the 20% statutory rate that was effective for the first quarter of 2017 and the 19% rate effective for the remainder of 2017. Prior to the Merger, ARRIS was subject to the U.S. statutory tax rate of 35% and a worldwide corporate tax system.

The Company reported the following operating results for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Income (loss) before income taxes	$ 20,172	$ 13,664	$(10,858)	$(105,519)
Income tax (benefit) expense	(8,302)	(68,795)	1,699	17,218
Effective income tax rate	(44.8)%	(503.5)%	(15.6)%	(16.3)%

The Company's effective income tax rate fluctuates based on, among other factors, its level and location of income. The difference between the U.K. federal statutory income tax rate of 19.25% and the effective income tax rate for the 2017 and 2016 periods is primarily due to the benefits of other foreign income tax regimes and the U.S. federal research and development credits. The change in income tax benefit for the three months ended June 30, 2017 was primarily due to a change in the application of the estimated annual effective tax rate resulting from an increase in annual earnings expectations in 2017 compared to the expected annual loss in 2016 which required the Company to apply the guidance on income taxes related to loss limitation provisions. The change in income tax expense for the six months ended June 30, 2017 was due to a decrease in the amount of book loss incurred in 2017 when compared to 2016.

The Company's effective income tax rate for the six months ended June 30, 2017 was impacted by $8.0 million of expense related to the intra-entity sale of an asset, $4.8 million of benefit related to the reversal of interest related to uncertain tax positions and $4.0 million of benefit related to statute closures for uncertain tax positions.

The Company's effective income tax rate for the six months ended June 30, 2016 was impacted by recording $55 million of withholding tax expense in connection with the Combination, as well as $2.1 million of expense on expiring net operating losses, $2.7 million of expense for discrete uncertain tax positions and $2.1 million of benefit from a release of valuation allowances.

Note 18. Shareholders' Equity

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to shareholders of ARRIS International plc and equity attributable to noncontrolling interest (in thousands):

	Ordinary Shares	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total ARRIS International plc stockholders' equity	Non-controlling Interest	Total stockholders' equity
Balance, December 31, 2016	$ 2,831	$3,314,707	$ (132,013)	$ 3,291	$3,188,816	$ 37,921	$3,226,737
Net loss	—	—	(8,762)	—	(8,762)	(3,795)	(12,557)
Other comprehensive income, net of tax	—	—	—	(1,080)	(1,080)	(28)	(1,108)
Contribution from non-controlling interest	—	—	—	—	—	3,500	3,500
Compensation under stock award plans	—	41,740	—	—	41,740	—	41,740
Issuance of ordinary shares and other	16	(5,345)	—	—	(5,329)	—	(5,329)
Provision for warrants	—	5,081	—	—	5,081	—	5,081
Repurchase of ordinary shares, net	(61)	—	(126,904)	—	(126,965)	—	(126,965)
Cumulative effect adjustment to opening balance (1)	—	—	10,974	—	10,974	—	10,974
Balance, June 30, 2017	$ 2,786	$3,356,183	$ (256,705)	$ 2,211	$3,104,475	$ 37,598	$3,142,073

(1) Cumulative adjustment related to the adoption of accounting standards, see Note 2 *Impact of Recently Adopted Accounting Standards* for additional information.

Note 19. Warrants

During 2016, the Company entered into two separate Warrant and Registration Rights Agreements (the "Warrants") with certain customers pursuant to which those customers may purchase up to an aggregate of 14.0 million of ARRIS's ordinary shares, (subject to adjustment in accordance with the terms of the Warrants, the "Shares").

The Warrants will vest in tranches based on the amount of purchases of products and services by the customers from the Company.

At June 30, 2017, approximately 2.2 million warrants are vested and outstanding, with a weighted average exercise price of $24.56, which vested based on the amount of purchases of products and services by the customers from the Company in 2016.

The table below presents by year, the warrants to purchase ordinary shares that could vest under outstanding Warrant programs with customers, based on achieving certain purchase levels (in thousands).

	Warrants Issuable		Exercise Price per Maximum Share Issuable		
	Minimum	Maximum	$22.19	$28.54	TBD[1]
Year					
2017	2,000	7,500	5,000	2,500	—
2018	1,000	2,500	—	—	2,500

(1) The exercise price for the 2018 warrants will be determined based upon the lower of 1) the volume-weighted price for the 10-day trading period preceding January 1, 2018 ("the January Price") or 2) the average of $28.54 and the January Price.

For Warrants in which an exercise price has been established, the exercise price per Share was established based upon the average volume-weighted price of ARRIS's ordinary shares on NASDAQ for the 10-day trading period preceding the issuance date of the Warrants.

The Warrants provide for net Share settlement that, if elected, will reduce the number of Shares issued upon exercise to reflect net settlement of the exercise price. Customers' may also request cash settlement of the Warrants upon exercise in lieu of issuing Shares, however, such cash election is at the discretion of ARRIS. The Warrants will expire by September 30, 2023.

The Warrants provide for certain adjustments that may be made to the exercise price and the number of Shares issuable upon exercise due to customary anti-dilution provisions based on future corporate events. In addition, in connection with any consolidation, merger or similar extraordinary event involving the Company, the Warrants will be deemed to represent the right to receive, upon exercise, the same consideration received by the holders of the Company's ordinary shares in connection with such transaction. Upon a change of control of ARRIS or if ARRIS materially breaches its applicable agreements with customers (and such breach is not cured pursuant to the terms of the agreements), the Warrants will immediately vest for the minimum threshold of Shares that would otherwise be issuable.

ARRIS has also agreed, if requested by the holders, to register the Shares issuable upon exercise of the Warrants under the Securities Act of 1933, as amended (the "Securities Act") and has also granted "piggyback" registration rights in the event ARRIS files a registration statement with the U.S. Securities and Exchange Commission under the Securities Act covering its equity securities, subject to the terms and conditions included in the Warrants.

Because the Warrants contain performance criteria, which includes annual purchase levels and product mix, under which customers must achieve for the Warrants to vest, as detailed above, the final measurement date for the Warrants is the date on which the Warrants vest. Prior to the final measurement, when achievement of the performance criteria has been deemed probable, the estimated fair value of Warrants is being recorded as a reduction to net sales based on the projected number of Warrants expected to vest, the proportion of purchases by customers and its affiliates within the period relative to the aggregate purchase levels required for the Warrants to vest and the then-current fair value of the related Warrants. To the extent that projections change in the future as to the number of Warrants that will vest, as well as changes in the fair market value of the Warrants, a cumulative catch-up adjustment will be recorded in the period in which the estimates change.

The fair value of the Warrants is determined using the Black-Scholes option pricing model. The assumptions utilized in the Black-Scholes model include the risk-free interest rate, expected volatility, and expected life in years. The risk-free interest rate over the expected life is equal to the prevailing U.S. Treasury note rate over the same period. Expected volatility is determined utilizing historical volatility over a period of time equal to the expected life of the warrant. Expected life is equal to the remaining contractual term of the warrant. The dividend yield is assumed to be zero since the Company have not historically declared dividends and do not have any plans to declare dividends in the future.

For the three and six months ended June 30, 2017, ARRIS recorded \$2.7 million and \$5.1 million, respectively, as a reduction to net sales in connection with Warrants. This transaction is considered an equity contract, and is classified as such.

Note 20. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in accumulated other comprehensive income (loss) by component, net of taxes (in thousands):

	Available-for sale securities	Derivative instruments	Change related to pension liability	Cumulative translation adjustments	Total
Balance as of December 31, 2016	$ 137	$ 671	$ (6,810)	$ 9,293	$ 3,291
Other comprehensive income before reclassifications	204	(456)	—	(2,018)	(2,270)
Amounts reclassified from accumulated other comprehensive income (loss)	58	1,117	15	—	1,190
Net current-period other comprehensive income	262	661	15	(2,018)	(1,080)
Balance as of June 30, 2017	$ 399	$ 1,332	$ (6,795)	$ 7,275	$ 2,211

	Available-for sale securities	Derivative instruments	Change related to pension liability	Cumulative translation adjustments	Total
Balance as of December 31, 2015	$ 133	$ (6,781)	$ (4,195)	$ (1,803)	$(12,646)
Other comprehensive (loss) income before reclassifications	(2)	(17,223)	—	329	(16,896)
Amounts reclassified from accumulated other comprehensive income (loss)	1	2,593	(2,025)	—	569
Net current-period other comprehensive income (loss)	(1)	(14,630)	(2,025)	329	(16,327)
Balance as of June 30, 2016	$ 132	$ (21,411)	$ (6,220)	$ (1,474)	$(28,973)

Note 21. Repurchases of ARRIS Shares

The table below sets forth the purchases of ARRIS shares for the quarter ended June 30, 2017:

Period	Total Number of SharesPurchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
April 2017	1,500,747	$25.89	1,500,747	300,000
May 2017	4,428	$28.01	—	300,000
June 2017	172,980	$28.93	172,841	295,000

(1) 4,567 shares were subject to equity awards that were cancelled for cash to satisfy minimum tax withholding obligations that arose on the vesting of shares of restricted stock units.

Upon completing the Combination, ARRIS International plc conducted a court-approved process in accordance with section 641(1)(b) of the U.K. Companies Act 2006, pursuant to which the Company reduced its stated share capital and thereby increased its distributable reserves or excess capital out of which ARRIS may legally pay dividends or repurchase shares. Distributable reserves are not linked to a U.S. GAAP reported amount.

In early 2016, the Company's Board of Directors approved a $300 million share repurchase authorization replacing all prior programs. In March 2017, the Board authorized an additional $300 million for share repurchases.

During the first quarter of 2017, ARRIS repurchased 3.3 million of the Company's ordinary shares at an average price of $25.44 per share, for aggregate consideration of approximately $83.1 million. During the second quarter of 2017, ARRIS repurchased 1.7 million of the Company's ordinary shares at an average price of $26.20 per share, for aggregate consideration of approximately $43.9 million. The remaining authorized amount for stock repurchases under these plans was $295.0 million as of June 30, 2017. Unless terminated earlier by a Board resolution, these new plans will expire when ARRIS has used all authorized funds for repurchase.

During the first quarter of 2016, the Company repurchased 6.4 million shares of its ordinary shares for $150.0 million at an average stock price of $23.47.

Note 22. Commitments and Contingencies

Legal Proceedings

The Company accrues a liability for legal contingencies when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews these accruals and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations or legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period in which such determinations are made. Unless noted otherwise, the amount of liability is not probable or the amount cannot be reasonably estimated; and, therefore, accruals have not been made.

Due to the nature of the Company's business, it is subject to patent infringement claims, including current suits against it or one or more of its wholly-owned subsidiaries, or one or more of our customers who may seek indemnification from us, alleging infringement by various Company products and services. The Company believes that it has meritorious defenses to the allegation made in its pending cases and intends to vigorously defend these lawsuits; however, it is currently unable to determine the ultimate outcome of these or similar matters. Accordingly, with respect to these proceedings, we are currently unable to reasonably estimate the possible loss or range of possible losses. In addition, the Company is a defendant in various litigation matters generally arising out of the normal course of business. (See Part II, Item 1 "Legal Proceedings" for additional details)

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

ARRIS is a leader in entertainment and communications technology. Our innovations combine hardware, software, and services across the cloud, network, and home to power TV and Internet for millions of people around the globe. The people of ARRIS collaborate with the world's top service providers, content providers, and retailers to advance the state of our industry and pioneer tomorrow's connected world.

We are headquartered in Suwanee, Georgia and operate in two business segments: Customer Premises Equipment ("CPE") and Network & Cloud ("N&C"). We enable service providers including cable, telephone, and digital broadcast satellite operators and media programmers to deliver media, voice, and IP data services to their subscribers. We are a leader in set-tops, digital video and Internet Protocol Television ("IPTV") distribution systems, broadband access infrastructure platforms, and associated data and voice CPE, which we also sell directly to consumers through retail channels. Our solutions are complemented by a broad array of services including technical support, repair and refurbishment, and system design and integration.

On January 4, 2016, ARRIS Group, Inc. completed its Combination with Pace, a company incorporated in England and Wales. In connection with the Combination, (i) ARRIS International plc, a company incorporated in England and Wales, acquired all of the outstanding ordinary shares of Pace and (ii) a wholly owned subsidiary of ARRIS International was merged with and into ARRIS Group, with ARRIS Group surviving the Merger as an indirect wholly owned subsidiary of ARRIS International. Under the terms of the Combination, (a) Pace shareholders received 132.5 pence in cash and 0.1455 ordinary shares of ARRIS International for each Pace Share they held, and (b) ARRIS Group stockholders received one ordinary share of ARRIS International for each share of ARRIS Group common stock they held.

Following the Combination, both ARRIS Group and Pace became indirect wholly-owned subsidiaries of ARRIS International. The ordinary shares of ARRIS International trade on The NASDAQ Global Market Select under the symbol "ARRS." In addition, while ARRIS International is incorporated under the laws of England and Wales, our corporate headquarters remain in Suwanee, Georgia. Following the Combination, we continue to operate in two business segments with the former Pace products included in our Network & Cloud and Consumer Premises Equipment Segments.

Business and Financial Highlights

Business Highlights

- For the second quarter 2017, revenues declined overall year-over-year primarily due to the timing of operator spending in the U.S. markets, and delayed spending during the transition period for certain next-generation platforms.
- For the first half of 2017, international revenues reflected growth in all regions as operators invested in broadband and video capabilities and foreign exchange rates stabilized compared to 2016.
- Operating expenses declined year on year as integration of the Pace business was completed and product line restructuring implemented.
- On February 22, 2017, ARRIS announced the acquisition of Brocade Communication Systems Inc.'s Ruckus Wireless and ICX Switch product lines to expand ARRIS' converged wired and wireless technologies beyond the home.
- In the first half of 2017, we repurchased 4.9 million of our ordinary shares for $127.0 million.
- Amended our Term Loan B included in our credit agreement providing for improved terms and conditions, and extended maturity.

Financial Highlights

- Sales in the second quarter and first half of 2017 were $1,664.2 million and $3,147.3 million, respectively, as compared to $1,730.0 million and $3,344.8 million in the same periods in 2016.
- In the second quarter and first half of 2017, we recorded $2.7 million and $5.1 million, respectively, of non-cash charges as a reduction in revenue related to our warrant programs.

- Gross margin percentage was 24.2% in the second quarter of 2017, which compares to 25.7% in the second quarter of 2016. The decline in the margin reflects memory product cost increases, customer and product mix and new product introduction.
- Total operating expenses (excluding amortization of intangible assets, integration, acquisition, restructuring charges and other costs) in the second quarter of 2017 were $247.0 million, as compared to $258.3 million in the same period last year. The decline reflects restructuring implemented after the Combination.
- We ended the second quarter of 2017 with $1,384.8 million of cash, cash equivalents and short-term marketable security investments. We generated approximately $495.8 million of cash from operating activities through the first six months of 2017, which compares to $38.2 million during the same period in 2016.
- We ended the second quarter of 2017 with outstanding debt under our credit facilities of $2,184.6 million, at face value, the current portion of which is $95.0 million. We repaid $46.1 million of our Term Loans under our credit facility in the first six months of 2017. With regard to our Term-Loan B-2 facility, we repaid $29.1 million in debt to exiting lenders and recorded proceeds from issuance of debt of $30.3 million.

Comparison of Operations for the Three and Six Months Ended June 30, 2017 and 2016

Net Sales

The table below sets forth our net sales for each of our segments (in thousands):

	Net Sales				Increase (Decrease) Between 2017 and 2016			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016	$	%	$	%
Segment:								
CPE	$1,155,883	$1,170,254	$2,210,939	$2,261,082	$ (14,371)	(1.2)%	$ (50,143)	(2.2)%
N&C	510,972	563,493	941,408	1,087,730	(52,521)	(9.3)%	(146,322)	(13.4)%
Other	(2,685)	(3,703)	(5,071)	(4,062)	1,018	27.5%	(1,009)	(24.8)%
Total sales	$1,664,170	$1,730,044	$3,147,276	$3,344,750	$ (65,874)	(3.8.)%	$(197,474)	(5.9)%

The table below sets forth our domestic (U.S.) and international sales (in thousands):

	Net Sales				Increase (Decrease) Between 2017 and 2016			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016	$	%	$	%
Domestic – U.S.	$1,121,079	$1,245,622	$2,079,556	$2,468,302	$ (124,543)	(10.0)%	$(388,746)	(15.7)%
Americas, excluding U.S.	256,260	248,132	548,861	483,053	8,128	3.3%	65,808	13.6%
Asia Pacific	108,458	87,338	160,373	124,720	21,120	24.2%	35,653	28.6%
EMEA	178,373	148,952	358,486	268,675	29,421	19.8%	89,811	25.1%
Total International	543,091	484,422	1,067,720	876,448	58,669	12.1%	191,272	21.8%
Total sales	$1,664,170	$1,730,044	$3,147,276	$3,344,750	$ (65,874)	(3.8)%	$(197,474)	(5.9)%

Customer Premises Equipment Net Sales 2017 vs. 2016

During the three and six months ended June 30, 2017, sales in the CPE segment decreased approximately 1.2% and 2.2%, respectively, as compared to the same period in 2016. The decrease is primarily attributable to lower video and broadband CPE product sales.

Network and Cloud Net Sales 2017 vs. 2016

During the three and six months ended June 30, 2017, sales in the N&C segment decreased approximately 9.3% and 13.4%, respectively, as compared to the same period in 2016. The decrease in sales is primarily a result of decreased customer spend on the current CMTS platforms as they wait for the introduction of next generation products, expected to be commercially available in the second half of the year. Sales in the same period of the prior year reflected higher spend as service providers increased their investment to expand broadband network capacity and high speed data internet access speeds.

Gross Margin

The table below sets forth our gross margin (in thousands, except percentages):

	Gross Margin				Increase (Decrease) Between 2017 and 2016			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016	$	%	$	%
Gross margin dollars	$403,357	$444,734	740,615	828,766	(41,377)	(9.3)%	(88,151)	(10.6)%
Gross margin percentage	24.2%	25.7%	23.5	24.8%		(1.5)		(1.3)

During the three and six months ended June 30, 2017, gross margin dollars and percentage decreased as compared to the same period in 2016. Gross margin percentage decreased primarily as a result of lower sales, a change in product and customer mix, new product introductions and memory pricing pressure, which are expected to continue in the near-term.

During the three and six months ended June 30, 2017, gross margins were also impacted by $2.7 million and $5.1 million, respectively, associated with a reduction in sales associated with the fair value of warrants issued to customers.

The gross margin for the three and six months ended June 30, 2016 included $20.0 million and $50.3 million, respectively, impact associated with writing up the historic cost of the Pace inventory to fair value at the date of acquisition (subsequently increasing cost of goods sold).

Operating Expenses

The table below provides detail regarding our operating expenses (in thousands):

	Operating Expenses				Increase (Decrease) Between 2017 and 2016			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016	$	%	$	%
Selling, general and administrative	$113,921	$105,746	$218,560	$225,710	$ 8,175	7.7%	$ (7,150)	(2.8)%
Research and development	133,098	152,580	266,060	313,726	(19,482)	(12.8)%	(47,666)	(15.2)%
Amortization of intangible assets	91,012	109,883	184,657	208,375	(18,871)	(17.2)%	(23,718)	(11.4)%
Integration, acquisition, restructuring & other	9,690	43,137	19,785	134,057	(33,447)	(77.5)%	(114,272)	(85.2)%
Total	$347,721	$411,346	$689,062	$881,868	$ (63,625)	(15.5)%	$(192,806)	(21.9)%

We are embarking on significant enhancements to our business processes and ERP systems. This global ERP effort is projected to continue into 2019, and we will increase our anticipated operating costs by approximately $5.0 million per quarter going forward.

Selling, General, and Administrative, or SG&A Expenses

Our selling, general and administrative expenses include sales and marketing costs, including personnel expenses for sales and marketing staff expenses, advertising, trade shows, corporate communications, product marketing expenses and other marketing expenses. In addition, general and administrative expenses consist of personnel expenses and other general corporate expenses for corporate executives, finance and accounting, human resources, facilities, information technology, legal and professional fees.

SG&A expenses increased for the three months ended June 30, 2017 compared to the prior year primarily due to higher legal fees and stock-based equity compensation, offset by the result of reductions in force following the Combination.

SG&A expenses decreased for the six months ended June 30, 2017 compared to the prior year primarily as a result of reductions in force following the Combination.

Research & Development, or R&D, Expenses

Research and development expenses consist primarily of personnel expenses, payments to suppliers for design services, product certification expenditures to qualify our products for sale into specific markets, prototypes, other consulting fees and reasonable allocations of our information technology and corporate facility costs. Research and development expenses are recognized as they are incurred.

During the three and six months ended June 30, 2017, R&D expenses decreased as compared to the same period in 2016. The decrease is primarily the result of reductions in force following the Combination as well as the divestiture of certain product lines that occurred during 2016.

Amortization of Intangible Assets

Our intangible amortization expense relates to finite-lived intangible assets acquired in business combinations. Intangibles amortization expense for the three months ended June 30, 2017 and 2016 was $91.0 million and $109.9 million, respectively. For the six months ended June 30, 2017 and 2016, intangible amortization expense was $184.7 million and $208.4 million, respectively. During the three months and six months ended June 30, 2017, amortization expense decreased as compared to the same period in 2016. The decrease was as a result of certain intangible assets becoming fully amortized.

Integration, Acquisition, Restructuring & Other Costs

During the three and six months ended June 30, 2017, we recorded acquisition related expenses and integration expenses of $2.7 million and $6.3 million, respectively. These expenses related to the pending acquisition of the Ruckus Wireless and ICX Switch product lines and consisted primarily of banker fees and other fees.

Restructuring charges of $7.0 million and $13.5 million were recorded during the three and six months ended June 30, 2017, respectively, related to employee termination benefits, voluntary retirement offering, facility closures and non-cash write off of property, plant and equipment.

During the three and six months ended June 30, 2016, we recorded acquisition related expenses and integration expenses of $7.5 million and $47.5 million, respectively. These expenses related to the Combination and consisted of banker fees, legal fees, integration related outside services and other direct costs of the Combination.

Restructuring expense of $32.8 million and $83.8 million were recorded during the three and six months ended June 30, 2016, respectively. The restructuring plan affected approximately 1,250 positions across the Company and its reportable segments.

Other costs of $2.8 million were recorded during the three and six months ended June 30, 2016, of which $0.5 million was related to the loss resulting from the divestitures of certain product lines and $2.3 million was related to the write off of in-process research and development projects that were abandoned.

Direct Contribution

The table below sets forth our direct contribution for each of our segments (in thousands):

	Direct Contribution				Increase (Decrease) Between 2017 and 2016			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016	$	%	$	%
Segment:								
CPE	$123,724	$177,545	$242,139	$309,509	$ (53,821)	(30.3)%	$(67,370)	(21.8)%
N&C	192,775	183,298	324,493	340,282	9,477	5.2%	(15,789)	(4.6)%
Total	$316,499	$360,843	$566,632	$649,791	$ (44,344)	(12.3)%	$(83,159)	(12.8)%

Customer Premises Equipment Direct Contribution 2017 vs. 2016

During the three and six months ended June 30, 2017, CPE segment direct contribution decreased by approximately 30.3% and 21.8%, respectively, as compared to the same period in 2016. The direct contribution was negatively impacted by lower sales as well as lower gross margin due to memory pricing pressure, which are expected to continue in the near-term.

Network and Cloud Direct Contribution 2017 vs. 2016

During the three months ended June 30, 2017, direct contribution in our N&C segment increased by approximately 5.2%, as compared to the same period in 2016. The increase was primarily attributable the mix of products and reductions in operating expenses.

During the six months ended June 30, 2017, direct contribution in our N&C segment decreased by approximately 4.6%, as compared to the same period in 2016. The decrease was primarily attributable the lower sales and a higher mix of lower margin products.

Corporate and Unallocated Costs

There are expenses that are not included in the measure of segment direct contribution and as such are reported as “Corporate and Unallocated Costs” and are included in the reconciliation to income (loss) before income taxes. The “Corporate and Unallocated Costs” category of expenses include corporate sales and marketing, home office general and administrative expenses, annual bonus and equity compensation.

For the three and six months ended June 30, 2017 and 2016, the composition of our corporate and unallocated costs that are reflected in the consolidated statement of operations were as follows (in thousands, except percentages):

	Direct Contribution				Increase (Decrease) Between 2017 and 2016			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016	$	%	$	%
Cost of sales	$ 21,461	$ 41,277	$ 43,544	$ 88,665	$ (19,816)	(48.0)%	$(45,121)	(50.9)%
Selling, general and administrative	95,835	88,598	182,860	183,971	7,237	8.2%	(1,111)	(0.6)%
Research and development	42,865	44,560	84,233	87,825	(1,695)	(3.8)%	(3,592)	(4.1)%
Total	$160,161	$174,435	$310,637	$360,461	$ (14,274)	(8.2)%	$(49,824)	(13.8)%

During the three and six months ended June 30, 2017, corporate and unallocated costs decreased as compared to the same period in 2016. Included in the cost of sales during the three and six months ended June 30, 2016 were $20.0 million and $50.3 million, respectively, associated with the step-up in the underlying net book value of Pace inventory acquired in the Combination to fair market value as of the acquisition date.

Other Expense (Income)

The table below provides detail regarding our other expense (in thousands):

	Other Expense (Income)				Increase (Decrease) Between 2017 and 2016			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016	$	%	$	%
Interest expense	$23,344	$19,102	$43,027	$38,728	$ 4,242	22.2%	$ 4,299	11.1%
Loss on investments	3,609	6,389	8,139	8,348	(2,780)	(43.5)%	(209)	(2.5)%
Interest income	(1,788)	(1,185)	(3,709)	(1,968)	(603)	(50.9)%	(1,741)	(88.5)%
Loss (gain) on foreign currency	9,373	(9,801)	14,113	2,440	19,174	195.6%	11,673	478.4%
Other expense (income), net	926	5,219	841	4,869	(4,293)	(82.3)%	(4,028)	82.7%
Total	$35,464	$19,724	$62,411	$52,417	$ 15,740	79.8%	$ 9,994	19.1%

Interest Expense

Interest expense includes the amortization of debt issuance costs (deferred finance fees and the debt discounts) related to our term loans and interest paid on notes and term loans and other debt obligations. Interest expense for the three months ended June 30, 2017 and 2016 was $23.3 million and $19.7 million respectively. For the six months ended June 30, 2017 and 2016, interest expense was $43.0 million and $38.7 million, respectively.

In connection with the Second Amendment to the Credit Agreement, we expensed approximately $2.5 million of debt issuance costs and wrote off approximately $0.3 million of existing debt issuance costs associated with certain lenders who were not party to the amended Term Loan B Facility, which were included as interest expense in the Consolidated Statements of Operations for the three and six months ended June 30, 2017.

Loss on Investments

From time to time, we hold certain investments in the common stock of private and publicly-traded companies, a number of non-marketable equity securities, and investments in rabbi trusts associated with our deferred compensation plans and certain investments in limited liability companies and partnerships that are accounted for using the equity method of accounting. As such our equity portion in current earnings of such companies is included in the loss (gain) on investments.

During the three months ended June, 2017 and 2016, we recorded net losses related to these investments of $3.6 million and $6.4 million, respectively, including impairment charges in 2016. During the second quarter of 2017 and 2016, the Company performed an evaluation of its investments and concluded that indicators of impairment existed for certain investments, and that their fair value had declined. This resulted in other-than-temporary impairment charges of zero and $5.0 million, respectively.

During the six months ended June 30, 2017 and 2016, we recorded a net loss, including impairment charge, related to these investments of $2.8 million, and $8.3 million, respectively.

Loss (Gain) on Foreign Currency

During the three months ended June 30, 2017 and 2016, we recorded a foreign currency loss (gain) of approximately $9.4 million and $(9.8) million, respectively. During the six months ended June 30, 2017 and 2016, we recorded a foreign currency loss of approximately $14.1 million and $2.4 million, respectively. We have U.S. dollar functional currency entities that bill certain international customers or have liabilities payable in their local currency. Additionally, certain intercompany transactions are denominated in foreign currencies and subject to revaluation. To mitigate the volatility related to fluctuations in the foreign exchange rates, we enter into various foreign currency contracts. The loss (gain) on foreign currency is driven by the fluctuations in the foreign currency exchange rates.

As part of the Combination completed in 2016, we paid the former Pace shareholders 132.5 pence per share in cash consideration, which was approximately 434.3 million British pounds, in the aggregate, as of January 4, 2016. We entered into foreign currency forward contracts to purchase British pounds and sell U.S. Dollars in order to mitigate the volatility related to fluctuations in the foreign exchange rate prior to the closing period. The contracts fixed the British pound to U.S. dollar forward exchange rate at various rates. During the six months ended June 30, 2016, losses of $1.6 million were recorded related to the British pound forward contracts. These contracts were terminated upon the close of the Pace acquisition in January 2016.

Interest Income

Interest income during the three months ended June 30, 2017 and 2016 was $1.8 million and $1.2 million, respectively. During the six months ended June 30, 2017 and 2016, interest income was $3.7 million and $2.0 million, respectively. The income reflects interest earned on cash, cash equivalents, short-term and long-term marketable security investments.

Other Expense (Income), net

Other expense (income), net for the three months ended June 30, 2017 and 2016 was $0.9 million and $5.2 million, respectively. For the six months ended June 30, 2017 and 2016, other expense was $0.8 million and $4.9 million, respectively.

During the second quarter of 2016, the Company wrote off $3.5 million of fixed assets related to the discontinuance of certain product lines.

Income Tax Expense

On January 4, 2016, ARRIS Group completed the Combination transaction with Pace, a company incorporated in England and Wales. In connection with the Combination, (i) ARRIS International plc (“ARRIS”), a company incorporated in England and Wales, acquired all of the outstanding ordinary shares of Pace (the “Pace Acquisition”) and (ii) a wholly-owned subsidiary of ARRIS was merged with and into ARRIS Group (the “Merger”), with ARRIS Group surviving the Merger as an indirect wholly-owned subsidiary of ARRIS. As a result of the Merger, we incurred withholding taxes of $55 million. Subsequent to the Merger, we are subject to the U.K. statutory tax rate and a territorial corporate tax system. The U.K. statutory rate for 2017 is 19.25% as compared to 20% in 2016. The statutory rate in the U.K. decreased from 20% to 19% effective April 1, 2017. Our statutory rate for 2017 represents the blended rate that will be in effect for the year ended December 31, 2017 based on the 20% statutory rate that was effective for the first quarter of 2017 and the 19% rate effective for the remainder of 2017. Prior to the Merger, we were subject to the U.S. statutory tax rate of 35% and a worldwide corporate tax system.

We reported the following operating results for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Income (loss) before income taxes	$ 20,172	$ 13,664	$(10,858)	$(105,519)
Income tax (benefit) expense	(8,302)	(68,795)	1,699	17,218
Effective income tax rate	(44.8)%	(503.5)%	(15.6)%	(16.3)%

Our effective income tax rate fluctuates based on, among other factors, its level and location of income. The difference between the U.K. federal statutory income tax rate of 19.25% and the effective income tax rate for the 2017 and 2016 periods is primarily due to the benefits of other foreign income tax regimes and the U.S. federal research and development credits. The change in income tax benefit for the three months ended June 30, 2017 was primarily due to a change in the application of the estimated annual effective tax rate resulting from an increase in annual earnings expectations in 2017 compared to the expected annual loss in 2016 which required ARRIS to apply the guidance on income taxes related to loss limitation provisions. The change in income tax expense for the six months ended June 30, 2017 was due to a decrease in the amount of book loss incurred in 2017 when compared to 2016.

Our effective income tax rate for the six months ended June 30, 2017 was impacted by $8.0 million of expense related to the intra-entity sale of an asset, $4.8 million of benefit related to the reversal of over-accrued interest related to uncertain tax positions and $4.0 million of benefit related to discrete uncertain tax positions.

Our effective income tax rate for the six months ended June 30, 2016 was impacted by recording $55 million of withholding tax expense in connection with the Pace Combination, as well as $2.1 million of expense on expiring net operating losses, $2.7 million of expense for discrete uncertain tax positions and $2.1 million of benefit from a release of valuation allowances.

Non-GAAP Measures

ARRIS 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 (in thousands, except per share data):

	For the Three Months Ended June 30, 2017		For the Three Months Ended June 30, 2016		For the Six Months Ended June 30, 2017		For the Six Months Ended June 30, 2016	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share
Sales	$1,664,170		$1,730,044		$3,147,276		$3,344,750	
Highlighted items:								
Reduction in revenue related to warrants	2,658		4,283		5,081		4,283	
Adjusted sales	$1,666,828		$1,734,327		$3,152,357		$3,349,033	
Net income (loss) attributable to ARRIS International plc	$ 30,336	$ 0.16	$ 84,228	$ 0.44	$ (8,762)	$ (0.05)	$ (118,345)	$ (0.62)
Highlighted items:								
Impacting gross margin:								
Stock-based compensation expense	3,495	0.02	1,997	0.01	6,747	0.04	4,236	0.02
Reduction in revenue related to warrants	2,658	0.01	4,283	0.02	5,081	0.03	4,283	0.02
Acquisition accounting impacts of fair valuing inventory	—	—	20,039	0.10	908	—	50,331	0.26
Impacting operating expenses:								
Integration, acquisition, restructuring and other costs	9,690	0.05	43,137	0.23	19,785	0.10	134,057	0.70
Amortization of intangible assets	91,012	0.48	109,883	0.57	184,658	0.97	208,375	1.08
Stock-based compensation expense	18,829	0.10	9,905	0.05	34,992	0.18	21,942	0.11
Noncontrolling interest share of Non-GAAP adjustments	(811)	—	(776)	—	(1,615)	(0.01)	(799)	(0.01)
Impacting other expense (income):								
Impairment of investments	—	—	5,000	0.03	2,750	0.01	5,000	0.03
Credit facility – ticking fees	—	—	—	—	—	—	(9)	—
Debt amendment fees	2,782	0.01	—	—	2,782	0.01	—	—
Remeasurement of deferred taxes	2,828	0.01	—	—	4,940	0.03	—	—
Foreign exchange contract losses related to Pace acquisition	—	—	—	—	—	—	1,610	0. 01
Impacting income tax expense:								
Foreign withholding tax	—	—	—	—	—	—	54,741	0.28
Income tax expense (benefit)	(40,937)	(0.22)	(117,291)	(0.61)	(54,270)	(0.28)	(113,874)	(0.59)
Total highlighted items	89,546	0.47	76,177	0.40	206,758	1.08	369,140	1.92
Adjustment net income	119,882	$ 0.63	$ 160,405	$ 0.84	197,996	$ 1.04	$ 250,795	$ 1.30
Weighted average ordinary shares—basic		186,803		190,409		188,291		191,076
Weighted average ordinary shares—diluted		189,002		191,250		190,932		192,421

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 two customers for the issuance of warrants to purchase up to 14.0 million of ARRIS's ordinary shares. Vesting of the warrants is subject to certain purchase volume commitments, and therefore the accounting guidance requires that we record any 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 acquired 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, Pace Combination and pending Ruckus Networks acquisition, 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 expenses consist 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 for the ActiveVideo acquisition is accounted for by ARRIS under the consolidation method. As a result, the consolidated statements 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 venture, as we believe it is useful to understand the effect of excluding this item when evaluating our ongoing performance.

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).

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 was 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).

Debt Amendment Fees: In 2017, the Company amended its credit agreement. This debt modification allowed us to improve the terms and conditions of the credit agreement and extend the maturity of the Term Loan B. 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 interest expense.

Remeasurement of Deferred Taxes: The Company records foreign currency remeasurement gains and losses related to deferred tax liabilities in the United Kingdom. The foreign currency remeasurement gains and losses derived from the remeasurement of the deferred income taxes from GBP to USD. We have excluded the impact of these gains and losses in the calculation of our non-GAAP measures. We believe it is useful to understand the effects of this item on our total other expense (income).

Foreign Exchange Contract Losses Related to Cash Consideration of Pace Acquisition: In the second quarter of 2015, the Company announced its intent to acquire Pace 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).

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.

Financial Liquidity and Capital Resources

One of our key strategies is to ensure we have adequate liquidity and the financial flexibility, including access to the capital markets, to support our strategy, including acquisitions and share repurchases. In addition to our cash flow activities discussed below, we also focus on key metrics which are summarized in the table below:

	As of June 30, 2017	As of December 31, 2016
	(in thousands, except DSO and Turns)	
Cash, cash equivalents, and short-term investments	$ 1,384,787	$ 1,095,676
Long-term U.S. corporate bonds	$ —	$ 10,998
Accounts Receivable, net	$ 991,539	$ 1,359,430
-Days Sales Outstanding	57	64
Inventory, net	$ 657,881	$ 551,541
- Turns	8.3	9.2
Term loans at face value	$ 2,184,638	$ 2,229,563
Financing lease obligation	$ 61,649	$ 58,010

Overview

In managing our liquidity and capital structure, we remained and are focused on key goals, and we have and will continue in the future to implement actions to achieve them. They include:

- Liquidity – ensure that we have sufficient cash resources or other short-term liquidity to manage day to day operations.
- Growth – implement a plan to ensure that we have adequate capital resources, or access thereto, to fund internal growth and execute acquisitions.
  - Share repurchases – return capital to shareholders by opportunistically repurchasing our ordinary shares.
  - Deleverage – reduce our debt obligation.

Accounts Receivable & Inventory

We use the number of times per year that inventory turns over (based upon sales for the most recent period, or turns) to evaluate inventory management, and days sales outstanding, or DSOs, to evaluate accounts receivable management.

Accounts receivable at the end of the second quarter of 2017 decreased as compared to the fourth quarter of 2016, primarily as a result of the timing of purchases by customers in late 2016.

Inventory increased in 2017 as compared to 2016, reflecting timing of shipments to customers.

Lease Financing Obligation

In 2015, we sold our San Diego office complex consisting of land and buildings. We concurrently entered into a leaseback arrangement for two of the buildings (Building 1 and Building 2). Building 1 did not qualify for sale-leaseback accounting due to continuing involvement that will exist for the 10-year lease term. Accordingly, the carrying value of Building 1 will remain on our balance sheet and will be depreciated over the ten-year lease period with the proceeds reflected as a financing obligation.

During the quarter ended June 30, 2017, we recorded a $4.0 million increase to both the financing obligation and the building asset, which will be depreciated, as a result of lessor funded improvements.

Share Repurchases

Upon completing the Combination, we conducted a court-approved process in accordance with section 641(1)(b) of the U.K. Companies Act 2006, pursuant to which we reduced our stated share capital and thereby increased our distributable reserves or excess capital out of which we may legally pay dividends or repurchase shares. Distributable reserves are not linked to a U.S. GAAP reported amount. In early 2016, our Board of Directors approved a new $300 million share repurchase authorization replacing all prior program. In March 2017, the Board authorized an additional $300 million for share repurchases. Unless terminated earlier by a Board resolution, this new plan will expire when ARRIS has used all authorized funds for repurchase. The remaining authorized amount for stock repurchases under these plans was $295.0 million as of June 30, 2017.

During the first quarter of 2017, we repurchased 3.3 million ordinary shares for approximately $83.1 million at an average stock price of $25.44. During the second quarter of 2017, we repurchased 1.7 million ordinary shares for approximately $43.9 million at an average stock price of $26.20.

During the three and six months ended June 30, 2016, we repurchased 6.4 million ordinary shares for approximately $150.0 million at an average stock price of $23.47.

Summary of Current Liquidity Position and Potential for Future Capital Raising

We believe our current liquidity position, where we have approximately $1,384.8 million of cash, cash equivalents, and short-term investments on hand as of June 30, 2017, together with approximately $498.1 million in availability under our Revolving Credit Facility, and our prospects for continued generation of cash from operations are adequate for our short- and medium-term business needs. Our cash, cash-equivalents and short-term investments as of June 30, 2017 include approximately $779.0 million held by all non-U.S. subsidiaries and $48.2 million held by non-U.S. subsidiaries whose earnings we expect to reinvest indefinitely outside of the United States. We do not expect to need the cash generated by those non-U.S. subsidiaries to fund our U.S. operations. However, in the unforeseen event that we repatriate cash from those non-U.S. subsidiaries, we may be required to provide for and pay U.S. taxes on permanently repatriated funds.

We have subsidiaries in countries that maintain restrictions, such as legal reserves, with respect to the amount of dividends that the subsidiaries can distribute. Additionally, some countries impose restrictions or controls over how and when dividends can be paid by these subsidiaries. While we do not currently intend to repatriate earnings from entities in these countries, if we were to be required to distribute earnings from such countries, the timing of the distribution and the funds available to distribute, would be adversely impacted by these restrictions.

We expect to be able to generate sufficient cash on a consolidated basis to make all of the principal and interest payments under our senior secured credit facilities. Should our available funds be insufficient to support these initiatives or our operations, it is possible that we will raise capital through private or public, share or debt offerings.

We expect to use approximately $800 million from cash on hand, subject to adjustments, in connection with the Ruckus Network acquisition. Assuming a close date in the fourth quarter of 2017, we anticipate having approximately $600 million of cash resources and approximately $500 million available under the Revolving Credit Facility post close, with continued access to capital markets.

Senior Secured Credit Facilities

On June 18, 2015, we amended and restated our existing credit agreement dated March 27, 2013 (the “Existing Credit Agreement”) 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 to fund the acquisition of Pace. The credit facility under the amended credit agreement (the “Amended Credit Agreement”) was entered into with Bank of America, N.A. and various other institutions, and is comprised of (i) a “Term Loan A Facility” of $990 million, (ii) a “Term Loan B Facility” of $543.8 million, (iii) a “Revolving Credit Facility” of $500 million and (iv) a “Term Loan A-1 Facility” of $800 million, which was funded upon the closing of the acquisition of Pace. Under the Amended Credit Agreement, the Term Loan A Facility, Term Loan A-1 Facility and the Revolving Credit Facility will mature on June 18, 2020.

On April 26, 2017, ARRIS and certain of ARRIS’s subsidiaries entered into a Second Amendment (the “Second Amendment”) to its Amended and Restated Credit Facility dated June 18, 2015, as previously amended on December 15, 2015 (the “Credit Agreement”). The Second Amendment provides for a new Term B Loan facility in the principal amount of $545 million, the proceeds of which (along with cash on hand) were used to repay the existing Term B Loan facility. Under the terms of the Second Amendment, the new Term B-2 Loan has a maturity date of April 2024 and an interest rate of LIBOR plus a percentage ranging from 2.25% to 2.50% for Eurocurrency Rate Loans (as defined in the Credit Agreement), or the prime rate plus a percentage ranging from 1.25% to 1.50% for Base Rate Loans (as defined in the Credit Agreement), in either case depending on the Company’s consolidated net leverage ratio. All other material terms of the Credit Agreement remain unchanged.

In connection with the Second Amendment to the Credit Agreement, we capitalized approximately $0.1 million of financing fees and $1.4 million of original issuance discount. In addition, we expensed approximately $2.5 million of debt issuance costs and wrote off approximately $0.3 million of existing debt issuance costs associated with certain lenders who were not party to the Term Loan B-2 Facility, which were included as interest expense in the Consolidated Statements of Operations for the three and six months ended June 30, 2017.

Interest rates on borrowings under the senior secured credit facilities are set forth in the table below. As of June 30, 2017, we had $891.0 million, $750.0 million and $543.6 million principal amount outstanding under the Term Loan A, Term Loan A-1 and Term Loan B-2 Facilities. No borrowings under the Revolving Credit Facility and letters of credit totaling $1.9 million issued under the Revolving Credit Facility.

	Rate	As of June 30, 2017
Term Loan A	LIBOR + 1.75 %	2.98%
Term Loan A-1	LIBOR + 1.75 %	2.98%
Term Loan B-2	LIBOR + 2.50 %	3.73%
Revolving Credit Facility(1)	LIBOR + 1.75 %	Not Applicable

(1) Includes unused commitment fee of 0.35% and letter of credit fee of 1.75% not reflected in interest rate above.

The Amended Credit Agreement provides for certain adjustments to the interest rates paid on the Term Loan A, Term Loan A-1, Term Loan B-2 and Revolving Credit Facility based upon the achievement of certain leverage ratios.

Borrowings under the senior secured credit facilities are secured by first priority liens on substantially all of the assets of ARRIS and certain of its present and future subsidiaries who are or become parties to, or guarantors under, the Amended Credit Agreement governing the senior secured credit facilities. The Amended Credit Agreement provides terms for mandatory prepayments and optional prepayments and commitment reductions. The Amended Credit Agreement also includes events of default, which are customary for facilities of this type (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all amounts outstanding under the credit facilities may be accelerated. The Amended Credit Agreement contains usual and customary limitations on indebtedness, liens, restricted payments, acquisitions and asset sales in the form of affirmative, negative and financial covenants, which are customary for financings of this type, including the maintenance of a minimum interest coverage ratio of 3.50:1 and a maximum leverage ratio of 3.50:1. As of June 30, 2017, we were in compliance with all covenants under the Amended Credit Agreement.

As of June 30, 2017, the scheduled maturities of the contractual debt obligations for the next five years are as follows (in thousands):

2017 (for the remaining six months)	$ 47,475
2018	94,950
2019	94,950
2020	1,422,700
2021	5,450
Thereafter	519,113

Account Receivable Financing Program

In connection with the Combination on January 4, 2016, ARRIS assumed an accounts receivable financing program (the "AR Financing Program" or the "Program") which was entered into by Pace on June 30, 2015. Under this Program, ARRIS assigned trade receivables on a revolving basis of up to $50 million to the lender and the lender advances 95% of the receivable value to us. The remaining 5% is remitted to ARRIS upon receipt of cash from the customer.

The Program was accounted for as secured borrowings and amounts outstanding are included in the current portion of long-term debt on the consolidated balance sheet. We paid certain transaction fees and interest of 1.23% on the outstanding balance in connection with this Program. This program was terminated as of June 30, 2017.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Sources and Uses of Cash

Below is a table setting forth the key line items of our Consolidated Statements of Cash Flows (in thousands):

	Six months ended June 30,	
	2017	**2016**
Cash provided by (used in) :		
Operating activities	$ 495,789	$ 38,229
Investing activities	45,555	(383,480)
Financing activities	(175,586)	352,661
Effect of exchange rate changes	147	—
Net increase in cash and cash equivalents	$ 365,905	$ 7,401

Operating Activities:

Below are the key line items affecting cash provided by operating activities (in thousands):

	Six months ended June 30,	
	2017	2016
Consolidated net loss	$ (12,557)	$(122,737)
Adjustments to reconcile net loss to cash provided by operating activities	260,842	225,614
Net income (loss) including adjustments	248,285	102,877
Decrease in accounts receivable	368,020	49,033
(Increase) decrease in inventory	(106,841)	181,737
Decrease in accounts payable and accrued liabilities	36,881	(327,584)
All other, net	(50,556)	32,166
Cash provided by operating activities	$ 495,789	$ 38,229

Consolidated net (loss) income, including adjustments, as per the table above, increased $145.4 million during the first six months of 2017 as compared to 2016. It should be noted that the net income reflected in the first six months of 2016 includes: 1) restructuring costs of $83.8 million, 2) acquisition and integration costs of $47.5 million, 3) withholding tax of $55.0 million and 4) inventory step-up in fair market value of $50.3 million. These items were either not present or were insignificant in the first six months of 2017.

Accounts receivable decreased by $368.0 million during the first six months of 2017. The decrease was primarily as a result of purchasing pattern and payment patterns of our customers. In the fourth quarter of 2016, we had significant purchases late in the quarter that were paid for in the first quarter.

Inventory increased by $106.8 million during the first six months of 2017, reflecting timing of customer requirements and anticipated demand for certain products. In the first six months of 2016, there was a $50.3 million reduction related to turnaround effect of inventory markup in acquisition accounting.

Accounts payable and accrued liabilities decreased by $36.9 million during the first six months of 2017. The change was a decrease in accounts payable reflecting timing of payments and the payment of annual bonuses. During the six months of 2016, the change of $327.6 million reflected the normal payments to vendors for inventory received in the fourth quarter of 2015 to support the anticipated demand. In addition, we acquired $799.8 million of accounts payable and accrued liabilities as part of the Combination. We acquired $298.7 million of cash as part of the Combination. This cash is netted against the cash used for acquisitions in the investing section of the cash flow statement and is not included in the operating section.

All other accounts, net, includes the changes in other receivables, income taxes payable (recoverable), and prepaids. The other receivables represent amounts due from our contract manufacturers for material used in the assembly of our finished goods. The change in our income taxes recoverable account is a result of the timing of the actual estimated tax payments during the year as compared to the actual tax liability for the year. The net change during the first six months of 2017 was approximately $50.6 million as compared to $32.2 million during the same period in 2016.

Investing Activities:

Below are the key line items affecting investing activities (in thousands):

	Six months ended June 30,	
	2017	2016
Purchases of property, plant and equipment	$ (42,900)	$ (23,752)
Acquisitions, net of cash acquired	—	(340,118)
Purchases of investments	(62,250)	(22,248)
Sales of investments	150,301	2,441
Purchase of intangible assets	(422)	(3,310)
Other, net	826	3,507
Cash provided by (used in) investing activities	$ 45,555	$(383,480)

Purchases of property, plant and equipment – Represents capital expenditures which are mainly for test equipment, laboratory equipment, and computing equipment.

Acquisition, net of cash acquired—Represent cash investments we made in the Pace Combination net of $298.7 million of cash was acquired in the Combination in 2016.

Purchases and sales of investments—Represent purchases and sales of securities and other investments.

Purchase of intangible assets—Represent primarily the purchase of technology licenses.

Other, net—Represent dividend proceeds received from equity investments.

Financing Activities:

Below are the key line items affecting our financing activities (in thousands):

	Six months ended June 30,	
	2017	**2016**
Proceeds from issuance of debt	$ 30,314	$ 800,000
Payment of debt obligations	(75,239)	(275,000)
Payment of deferred financing fees and debt discount	(1,462)	(2,304)
Payment of financing lease obligation	(405)	(314)
Payment on accounts receivable financing facility	—	(12,042)
Repurchase of shares	(126,965)	(150,003)
Proceeds from (cost of) issuance of shares, net	8,553	4,163
Repurchase of shares to satisfy minimum tax withholdings	(13,882)	(14,193)
Excess tax benefits from stock-based compensation plans	—	2,354
Contribution from noncontrolling interest	3,500	—
Cash (used in) provided by financing activities	$(175,586)	$ 352,661

Proceeds from issuance of debt – Represents the proceeds from new borrowings for our "Term Loan B-2 Facility" upon the amendment to our amended and restated credit facility in 2017. "Term Loan A-1 Facility" of $800 million, which was funded upon the closing of the Combination in 2016.

Payment of debt obligations – Represents the mandatory payment of the term loans under the senior secured credit facilities, as well as the repayment of the debt assumed upon the acquisition of Pace and the repayment of the debt to lenders that exited "Term Loan B-2 Facility".

Payment of deferred financing costs and debt discount — Represents the financing costs in connection with the execution of our senior secured credit facility under the Amended Credit Agreement. The costs have been deferred and will be recognized over the terms of the credit agreements. It also represents amounts paid to lenders in the form of upfront fees, which have been treated as a reduction in the proceeds received by the ARRIS and are considered a component of the discount of our senior secured credit facility under the Amended Credit Agreement.

Payment of lease financing obligation — Represents the amortization related to the portion of the sale of building that did not qualify for sale-leaseback accounting.

Repayment on account receivable financing facility — As part of the Combination, we obtained an accounts receivable securitization program, which was terminated as of June 30, 2017. This represents the repayment of the secured borrowings.

Repurchase of shares — Represents the cash used to buy back the Company's ordinary shares.

Proceeds from issuance of shares – Represents cash proceeds related to the exercise of restricted shares, offset by expenses paid related to issuance of shares.

Repurchase of shares to satisfy tax withholdings—Represents the shares withheld and cancelled for cash, to satisfy the employee minimum tax withholding when restricted stock units vest.

Excess income tax benefits from stock-based compensation plans—Represents the cash that otherwise would have been paid for income taxes if increases in the value of equity instruments also had not been deductible in determining taxable income. Prospectively, all excess tax benefits from share-based payments will be reported as operating activities under new guidance, see Note 2 of Notes to the Consolidated Financial Statements for disclosures related to the impact of recently adopted accounting standards.

Contribution from noncontrolling interest — Represents the equity investment contributions by the noncontrolling interest in a joint venture formed for the ActiveVideo acquisition.

Interest Rates

As described above, all indebtedness under our senior secured credit facilities bears interest at variable rates based on LIBOR plus an applicable spread. We entered into interest rate swap arrangements to convert a notional amount of $1,075.0 million of our variable rate debt based on one-month LIBOR to a fixed rate. This objective of these swaps is to manage the variability of cash flows in the interest payments related to the portion of the variable rate debt designated as being hedged.

Foreign Currency

A significant portion of our products are manufactured or assembled in Brazil, China, Mexico and Taiwan, and we have research and development centers outside of the United States in China, France, India, Ireland, Northern Ireland, United Kingdom and Sweden. Our sales into international markets have been and are expected in the future to be an important part of our business. These foreign operations are subject to the usual risks inherent in conducting business abroad, including risks with respect to currency exchange rates, economic and political destabilization, restrictive actions and taxation by foreign governments, nationalization, the laws and policies of the United States affecting trade, foreign investment and loans, and foreign tax laws.

We have certain international customers who are billed in their local currency and certain international operations that procure in U.S. dollars. We also have certain predicable expenditures for international operations in local currency. Additionally, certain intercompany transactions are denominated in foreign currencies and subject to revaluation. As part of the Combination, we paid the former Pace shareholders 132.5 pence per share in cash consideration, which is approximately 434.3 million British pounds, in the aggregate, as of January 4, 2016. These contracts were settled upon the close of the Pace acquisition in January 2016. We use a hedging strategy and enter into forward or currency option contracts based on a percentage of expected foreign currency revenues and expenses. The percentage can vary, based on the predictability of the revenues denominated in the foreign currency.

Financial Instruments

In the ordinary course of business, we, from time to time, will enter into financing arrangements with customers. These financial arrangements include letters of credit, commitments to extend credit and guarantees of debt. These agreements could include the granting of extended payment terms that result in longer collection periods for accounts receivable and slower cash inflows from operations and/or could result in the deferral of revenue.

Capital Expenditures

Capital expenditures are made at a level designed to support the strategic and operating needs of the business. ARRIS's capital expenditures were $42.9 million in the first six months of 2017 as compared to $23.8 million in the first six months of 2016. Management expects to make approximately $80 million in capital expenditures for the year 2017, excluding the Ruckus Network acquisition.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are disclosed in our Form 10-K for the year ended December 31, 2016, as filed with the SEC. Our critical accounting estimates have not changed in any material respect during the six months ended June 30, 2017.

Forward-Looking Statements

Certain information and statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this report, including statements using terms such as "may," "expect," "anticipate," "intend," "estimate," "believe," "plan," "continue," "could be," or similar variations thereof, constitute forward-looking statements with respect to the financial condition, results of operations, and business of ARRIS, including statements that are based on current expectations, estimates, forecasts, and projections about the markets in which we operate and management's beliefs and assumptions regarding these markets. These and any other statements in this document that are not statements about historical facts are "forward-looking statements." We caution investors that forward-looking statements made by us are not guarantees of future performance and that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. Important factors that could cause results or events to differ from current expectations are described in the risk factors set forth in Item 1A, Part II, "Risk Factors." These factors are not intended to be an all-encompassing list of risks and uncertainties that may affect the operations, performance, development and results of our business. In providing forward-looking statements, ARRIS expressly disclaims any obligation to update publicly or otherwise these statements, whether as a result of new information, future events or otherwise except to the extent required by law.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes with respect to the information appearing in Part II, Item 7A., "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. CONTROLS AND PROCEDURES

(a) *Evaluation of Disclosure Controls and Procedures.* Our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report (the "Evaluation Date"). Based on that evaluation, such officers concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective as contemplated by the Act.

(b) *Changes in Internal Control over Financial Reporting*. Our principal executive officer and principal financial officer evaluated the changes in our internal control over financial reporting that occurred during the most recent fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded, that there had been no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We have been, and expect in the future to be, a party to various legal proceedings, investigations or claims. In accordance with applicable accounting guidance, we record accruals for certain of our outstanding legal proceedings when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. We evaluate, at least on a quarterly basis, developments in our legal proceedings or other claims that could affect the amount of any accrual, as well as any developments that would result in a loss contingency to become both probable and reasonably estimable. When a loss contingency is not both probable and reasonably estimable, we do not record a loss accrual.

If the loss (or an additional loss in excess of any prior accrual) is reasonably possible and material, we disclose an estimate of the possible loss or range of loss, if such estimate can be made. The assessment whether a loss is probable or reasonably possible and whether the loss or a range of loss is estimable, involves a series of complex judgments about future events. Even if a loss is reasonably possible, we may not be able to estimate a range of possible loss, particularly where (i) the damages sought are substantial or indeterminate, (ii) the proceedings are in the early stages, or (iii) the matters involve novel or unsettled legal theories or a large number of parties. In such cases, there is considerable uncertainty regarding the ultimate resolution of such matters, including the amount of any possible loss. With respect to two of the matters below, we estimate the aggregate range of loss for which a reasonable estimate can be made to be between $0 and $10.0 million. This estimate does not cover all matters listed below as we are currently unable to reasonably estimate the possible loss or range of possible loss for each of the remaining identified matters. The results in litigation are unpredictable and an adverse resolution of one or more of such matters not included in the estimate provided, or if losses are higher than what is currently estimated, it could have a material adverse effect on our business, financial position, results of operations or cash flows.

Due to the nature of our business, we are subject to patent infringement claims, including current suits against us or one or more of our wholly-owned subsidiaries or one or more of our customers who may seek indemnification from us. We believe that we have meritorious defenses to the allegation made in the pending cases and intend to vigorously defend these lawsuits; however, we are unable currently to forecast the ultimate outcome of these or similar matters. In addition, we are a defendant in various litigation matters generally arising out of the normal course of business. Except as described below, ARRIS is not party to (nor have indemnification claims been made with respect to) any proceedings that are, or reasonably are expected to be, material to its business, results of operations or financial condition. However, since it is difficult to predict the outcome of legal proceedings, it is possible that the ultimate outcomes could materially and adversely affect our business, financial position, results of operations or cash flows. Accordingly, with respect to these proceedings, we are currently unable to reasonably estimate the possible loss or range of possible loss.

Altibox v. ARRIS Global Ltd, On June 26, 2016, Altibox sent a claim letter against Pace Ltd (now ARRIS Global Ltd) for gross negligence in performance under its contract with Pace. On April 7, 2017 Altibox lodged an official Writ of Summons with the Oslo District Court in Norway. The complaint requests monetary damages allegedly compensating losses to Altibox in excess of the contractual damages limitations. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS Global Ltd. may be required to pay damages under Norwegian law.

C-Cation v. ARRIS et al., C.A. 14-cv-00059, Eastern District of Texas; C-Cation v. Atlantic Broadband et al., C.A. 15-cv-00295, District of Delaware. On February 4, 2014, C-Cation filed suit against TWC, ARRIS, Cisco and Casa alleging infringement of U.S. Patent No. 5,563,883 relating to channel management. On April 7, 2015, C-Cation filed an additional suit against several remaining MSOs alleging infringement of the same patent. Certain of our customers have requested that we provide indemnification. An Inter Partes Review request filed by ARRIS on the claims asserted in the litigation has been instituted and a hearing on the case was held on April 26, 2016. The Patent Trial and Appeal Board (PTAB) rendered a final written decision on July 28, 2016 ruling all of the asserted claims invalid. C-Cation has filed an appeal of the PTAB decision, but we believe that the decision will be upheld. While we believe the likelihood of an unfavorable outcome is remote, in the event of an unfavorable outcome, ARRIS may be required to pay damages for utilizing certain technology.

ChanBond v. MSOs, C.A. 15-cv-00848, et al, District of Delaware (RGA). On September 21, 2015, ChanBond filed suit against several MSOs alleging infringement of three US Patents. Certain of our customers have requested that we provide indemnification. The complaint requests unspecified damages for infringement and injunction against future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify the MSOs and/or pay damages for utilizing certain technology.

Dragon Intellectual Property v. MSOs, C.A. 13-cv-02069; 13-cv-02063, etc., District of Delaware (RGA). On December 20, 2013, Dragon IP filed suit against several MSOs alleging infringement of US Patent No. 5,930,444. Certain of our customers have requested that we provide indemnification. Claim construction obviated the plaintiff's assertions against ARRIS products. A Petition for Inter Partes Review of the asserted patent resulted in all instituted claims being ruled to be invalid. The patent owner is appealing the claim construction and invalidity rulings. The complaint requests unspecified damages for infringement and injunction against future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify the MSOs and/or pay damages for utilizing certain technology.

Hera Wireless et al. v. ARRIS, C.A. 1:17-cv-00948, District of Delaware. On July 14, 2017, Hera Wireless filed suit against ARRIS alleging infringement of three U.S. patents. The complaint requests unspecified damages for infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages for utilizing certain technology.

Intellectual Ventures I and II v. AT&T, CenturyLink, C.A. 12-cv-00193, 13-cv-01631, etc. District of Delaware. On February 16, 2012, Intellectual Ventures filed a claim against AT&T alleging infringement of several US patents. Certain of our customers have requested that we provide indemnification. The complaint requests damages for past and future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify AT&T and/or pay damages for utilizing certain technology.

Mobile Telecommunications Technologies (M-Tel) v. MSOs, C.A. 16-cv-00007, 16-cv-0013, etc., Eastern District of Texas. ***ARRIS v. M-Tel***, C.A. 16-cv-00259, District of Delaware. On January 4, 2016, Mobile Telecommunications Technologies filed suit against several MSOs alleging infringement of three expired U.S. patents alleged to cover various Wi-Fi functionality. Certain of our customers have requested that we provide indemnification. The M-Tel complaint requests unspecified damages for past infringement. On April 13, 2016, ARRIS filed suit against M-Tel requesting an advisory ruling on three expired U.S. patents alleged to cover various Wi-Fi functionality and asserted against our customers. The cases have been consolidated for pre-trial in a multi-district litigation proceeding in the District of Delaware. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify one or more MSOs and/or pay damages for utilizing certain technology.

Nagravision et al. v. Comcast et al., C.A. 2:16-cv-1362, Eastern District of Texas. On December 5, 2016, Kudelski subsidiary Nagravision ("Nagra") filed a suit against Comcast alleging infringement of three U.S. patents. The lawsuit has since been amended to include a total of five U.S. patents. Comcast has requested that we provide indemnification. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages and/or cease utilizing certain technology in products sold to Comcast.

In Re ARRIS Cable Modem Consumer Litigation, C.A. 5:17-cv-01834, Northern District of California. On March 31, 2017, Carlos Reyna, on behalf of himself and others similarly situated filed a putative class action lawsuit against ARRIS alleging that the SB6190 modem which includes the Intel Puma 6 chipset is defective. The plaintiff alleges violation of the California Song-Beverly Consumer Warranty Act, California Consumer Legal Remedies Act, California False Advertising Law, and California Unfair Competition Law. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages.

RealTime Data v. Echostar et al., C.A. 6:17-cv-00084, Eastern District of Texas. On June 6, 2017, RealTime Data filed an amended complaint alleging that ARRIS products infringe three U.S. patents. The complaint requests unspecified damages for infringement and injunction against future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages for utilizing certain technology.

Rovi et al. v. Comcast et al., C.A. 1:16-cv-09278, 1:16-cv-09826, Southern District of New York; 337-TA-1001, International Trade Commission. On April 1, 2016, Rovi filed suit against Comcast and several equipment vendors (including ARRIS and Pace) alleging infringement of 15 U.S. patents alleged to cover various program guide technology. On April 6, 2016, Rovi filed a complaint in the International Trade Commission (ITC) alleging infringement of seven U.S. patents (the same as those asserted in the '322 suit). The ITC hearing was held, and an initial determination found a violation by various remote programming features. The parties have petitioned for review of the initial determination, and expect a final determination from the full ITC Commission by September 26, 2017. It is premature to assess the likelihood of an unfavorable outcome pending review. In the event of an unfavorable outcome, ARRIS may be required to pay damages and/or cease utilizing certain technology in products sold to Comcast.

Sprint Communications v. MSOs, C.A. 11-cv-2686 etc., District of Kansas. On December 19, 2011, Sprint filed suit against several MSOs alleging infringement of several patents alleged to cover various aspects of voice services. Certain of our customers have requested that we provide indemnification. The complaint requests unspecified damages for past infringement and injunction against future infringement. At an initial trial, Sprint was awarded $140 million in damages from Time Warner Cable. It is premature to assess the likelihood of an unfavorable outcome on any indemnity claims. In the event of an unfavorable outcome, ARRIS may be required to indemnify the MSOs and/or pay damages for utilizing certain technology. With respect to any liability attributable to Motorola Home in this matter, a subsidiary of Google has agreed to indemnify ARRIS.

Sony Corp. v. Pace plc et al., C.A. 15-cv-00288, District of Delaware. On April 1, 2015, Sony filed suit against Pace alleging infringement of six U.S. patents alleged to cover various features of the set top box. The complaint requests unspecified damages for past infringement and injunction against future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages and/or cease utilizing certain technology.

Sony Corp. v. ARRIS International plc et al., C.A. 1:17-cv-00890, Northern District of Georgia; 337-TA-1049, International Trade Commission. On March 10, 2017, Sony filed a complaint in the Northern District of Georgia and a companion case in the International Trade Commission requesting institution of an investigation into whether set top boxes and gateway devices infringe five patents asserted by Sony. The investigation at the ITC was instituted on April 13, 2017. The complaint requests unspecified damages for past infringement, an injunction against future infringement, and with respect to the ITC investigation, an exclusion against certain products. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages and/or cease utilizing certain technology.

In the Matter of Certain Semiconductor Devices, Semiconductor Device Packages, and Products Containing Same, 337-TA-1010, International Trade Commission. On May 23, 2016, Tessera filed a request to institute an investigation with the International Trade Commission (ITC) into whether Broadcom semiconductor devices infringe several patents purportedly controlled by Tessera. ARRIS has been named a party to the investigation as a potential importer of devices including the allegedly infringing components, and have been indemnified by Broadcom. On June 20, 2016, the ITC instituted the investigation. The initial determination found a violation on a single patent. The parties plan to petition for review of the initial determination, and expect a final determination from the full ITC Commission by October 30, 2017. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to cease importing certain Broadcom technology in products sold to its customers.

TQ Delta v. MSOs, C.A. 15-cv-00611; 15-cv-00615, etc., District of Delaware. On July 17, 2015, TQ Delta filed suit against several MSOs alleging infringement of several U.S. patents. Certain of our customers have requested that we provide indemnification. Inter partes review proceedings have been instituted on all of the patents involved in the suit, and the case has been stayed pending the outcome of those proceedings. The complaint requests unspecified damages for past and future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify the MSOs and/or pay damages for utilizing certain technology.

TQ Delta v. 2Wire Inc., C.A. 13-cv-01835, District of Delaware. On November 4, 2013, TQ Delta filed suit against 2Wire alleging infringement of several U.S. patents. The complaint requests unspecified damages for past infringement and an injunction against future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages for utilizing certain technology.

Two Way Media v. Bell Canada et al, C.A. T-809-14, Canadian Federal Court. On April 2, 2014, Two Way Media filed a claim against Bell Canada entities alleging infringement of a Canadian patent. Bell Canada has requested that we provide indemnification. The complaint requests damages for past and future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify Bell Canada and/or pay damages for utilizing certain technology.

United Access Technologies v. AT&T, C.A. 11-cv-00338, District of Delaware. On April 15, 2011, United Access Technologies filed suit against AT&T alleging infringement of three U.S. patents. The complaint requests unspecified damages for past and future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify AT&T and/or pay damages for utilizing certain technology.

In the acquisition agreement entered into in connection with the acquisition of the Motorola Home business, a subsidiary of Google agreed to indemnify, defend and hold harmless ARRIS and various related parties with respect to, among other things, any losses suffered by ARRIS as a result of a court order involving, or the settlement of, certain agreed-upon litigation, including the Sprint lawsuit described above that reference this indemnification obligation. There are various limitations upon this obligation.

From time to time third parties demand that we or our customers enter into a license agreement with respect to patents owned, or allegedly owned, by the third parties. Such demands cause us to dedicate time to study the patents and enter into discussions with the third parties regarding the merits and value, if any, of the patents. These discussions, may materialize into license agreements or patent claims asserted against us or our customers. If asserted against our customers, our customers may request indemnification from us. It is not possible to determine the impact of any such demands and the related discussions on ARRIS's business, results of operations or financial condition.

Item 1A. Risk Factors –

Our business is dependent on customers' capital spending on broadband communication systems, and reductions by customers in capital spending would adversely affect our business.

Our performance is primarily dependent on customers' capital spending for constructing, rebuilding, maintaining or upgrading broadband communications systems. Capital spending in the broadband communications industry is cyclical and can be curtailed or deferred on short notice. A variety of factors affect capital spending, and, therefore, our sales and profits, including:

- demand for network services;
- general economic conditions;
- foreign currency fluctuations;
- competition from other providers of broadband and high-speed services;
- customer specific financial or stock market conditions;
- availability and cost of capital;
- governmental regulations;
- customer acceptance of new services offered; and
- real or perceived trends or uncertainties in these factors.

Several of our customers have accumulated significant levels of debt. These high debt levels, coupled with the volatility in the capital markets, may impact their access to capital in the future. Even if the financial health of our customers remains intact, these customers may not purchase new equipment at levels we have seen in the past or expect in the future. We cannot predict the impact, if any, of any softening or downturn in the national or global economy or of specific customer financial challenges on our customers' expansion and maintenance expenditures.

We may have difficulty in forecasting our sales and may experience volatility in revenues.

Because a significant portion of our customers' purchases are discretionary, accurately forecasting our sales is difficult. In addition, our customers have increasingly submitted their purchase orders less evenly over the course of each quarter and year, and with shorter lead times than they have historically. The combination of our dependence on relatively few key customers and the award by those customers of irregular but sizeable orders, together with the size of our operations, make it difficult to forecast sales and can result in revenue volatility, which could further result in maintaining inventory levels that are too high or too low for our ultimate needs and could have a negative impact on our business.

We also have outstanding warrants with certain customers to purchase our ordinary shares. Vesting of the warrants is subject to both the volume of purchases by the customers and product mix. Under applicable accounting guidance, if we believe that vesting of a tranche of the warrants is probable, we are required to mark-to-market the fair value of the warrant until it vests, and any increase in the fair value is treated as a reduction in revenues from sales to the customers. The amount of the reduction in revenues that will be recorded is difficult to predict as both sales to the customers and changes in our stock price impact the calculation and are outside of our control. As a result the warrants also could increase our revenue volatility.

Changes to United States tax, tariff and import/export regulations may have a negative effect on global economic conditions, financial markets and our business.

During and following the recent United States presidential election campaign there has been discussion and commentary regarding potential significant changes to United States trade policies, treaties, tariffs and taxes. We do a material amount of business around the world, and a substantial majority of our products are manufactured outside of the United States. The new administration, along with Congress, has created significant uncertainty about the future relationship between the United States and other countries with respect to the trade policies, treaties, taxes, government regulations and tariffs that would be applicable. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States. Any of these factors could depress economic activity and restrict our access to suppliers or customers and have a material adverse effect on our business, financial condition and results of operations.

The market in which we operate is intensely competitive, and competitive pressures may adversely affect our results of operations.

The markets in which we participate are dynamic, highly competitive and require companies to react quickly and capitalize on change. We must retain skilled and experienced personnel, as well as deploy substantial resources to meet the changing demands of the industry and must be nimble to be able to capitalize on change. We compete with international, national and regional manufacturers, distributors and wholesalers including some companies that are larger than we are.

In some instances, our customers themselves may be our competition. Some of our customers may develop their own software requiring support within our products and/or may design and develop products of their own which are produced to their own specifications directly by a contract manufacturer. The rapid technological changes occurring in the broadcast and broadband communications systems industry may lead to the entry of new competitors, including those with substantially greater resources than our own. Because the market in which we compete is characterized by rapid growth and, in some cases, low barriers to entry, smaller companies and start-up ventures also may become principal competitors in the future. Actions by existing competitors and the entry of new competitors may have an adverse effect on our sales and profitability. In the future, technological advances could lead to the obsolescence of some of our current products, which could have a material adverse effect on our business.

Further, several of our larger competitors may be in a better position to withstand any significant, sustained reduction in capital spending by customers. They often have broader product lines and segment focus and therefore are not as susceptible to downturns in a particular market. In addition, several of our competitors have been in operation longer than we have and therefore have more established relationships with customers.

Consolidations in the broadcast and broadband communication systems industry could have a material adverse effect on our business.

The broadcast and broadband communication systems industry historically has experienced, and continues to experience, the consolidation of many industry participants. When consolidations occur, it is possible that the acquirer will not continue using the same suppliers, possibly resulting in an immediate or future elimination of sales opportunities for us. Even if sales are not reduced, consolidations also could result in delays in purchasing decisions by the affected companies prior to completion of the transaction. Further, even if we believe we will receive additional sales from a customer following a transaction as a result of, for example, typical network upgrades that following combinations or otherwise, no assurance can be provided that such anticipated sales will be realized. In addition, consolidations can also result in increased pressure from customers for lower prices or better terms, reflecting the increase in the total volume of products purchased or the elimination of a price differential between the acquiring customer and the company acquired. Any of these results could have a material adverse effect on our business.

We have significant indebtedness, which could limit our operations and opportunities, make it more difficult for us to pay or refinance our debts and/or may cause us to issue additional equity in the future, which would increase the dilution of our stockholders or reduce earnings.

As of June 30, 2017, we had approximately $2,184.6 million in total indebtedness and $498.1 million available under our Revolving Credit Facility to support our working capital needs. Our debt service obligations with respect to this indebtedness could have an adverse impact on our earnings and cash flows for as long as the indebtedness is outstanding.

This significant indebtedness also could have important consequences to stockholders. For example, it could:

- make it more difficult for us to pay or refinance our debts as they become due during adverse economic and industry conditions because any decrease in revenues could cause us to not have sufficient cash flows from operations to make our scheduled debt payments;
- limit our flexibility to pursue other strategic opportunities or react to changes in our business and the industry in which we operate and, consequently, place us at a competitive disadvantage to competitors with less debt;

- require a substantial portion of our cash flows from operations to be used for debt service payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes; and
- result in higher interest expense in the event of increases in interest rates since the majority of our debt is subject to variable rates.

Based upon current levels of operations, we expect to be able to generate sufficient cash on a consolidated basis to make all of the principal and interest payments on our indebtedness when such payments are due, but there can be no assurance that we will be able to repay or refinance such borrowings and obligations.

We may consider it appropriate to reduce the amount of indebtedness currently outstanding. This may be accomplished in several ways, including issuing additional ordinary shares or securities convertible into ordinary shares, reducing discretionary uses of cash or a combination of these and other measures. Issuances of additional ordinary shares or securities convertible into ordinary shares would have the effect of diluting the ownership percentage that stockholders will hold in the company and may reduce our reported earnings per share.

We face risks relating to currency fluctuations and currency exchange.

On an ongoing basis we are exposed to various changes in foreign currency rates because certain sales are denominated in foreign currencies. Additionally, certain intercompany transactions are denominated in foreign currencies and subject to revaluation. These changes can impact our results of operations, cash flows and financial position. We manage these risks through regular operating and financing activities and periodically use derivative financial instruments such as foreign exchange forward and option contracts. There can be no assurance that our risk management strategies will be effective. In addition, many of our international customers make purchases from us that are denominated in U.S dollars. As we have seen the U.S. dollar strengthen, it has impacted these customers' ability to purchase products. Further strengthening could have a material impact on our sales in the affected countries.

We also may encounter difficulties in converting our earnings from international operations to U.S. dollars for use in the United States. These obstacles may include problems moving funds out of the countries in which the funds were earned and difficulties in collecting accounts receivable in foreign countries where the usual accounts receivable payment cycle is longer.

Our gross margins and operating margins will vary over time, and our aggregate gross margin may decrease from historical levels.

We expect our product gross margins to vary over time, and the aggregate gross margin we have achieved in recent years may continue to decrease and be adversely affected in the future by numerous factors, including customer, product and geographic mix shifts, the introduction of new products, customer acceptance of designed products with a lower cost to us, fluctuations in our license sales or services we provide, changes in the actions of our competitors, currency fluctuations that impact our costs or the cost of our products and services to our customers, increases in material, labor, or inventory carrying costs, and increased costs due to changes in component pricing, including memory costs. We will continue to focus on increasing revenues and operating margins and managing our operating expenses; however, no assurance can be provided that we will be able to achieve all or any of these goals.

We may not realize the anticipated benefits of past or future acquisitions, divestitures, and strategic investments, including the recently announced Ruckus Network acquisition, and the integration of acquired companies or technologies or divestiture of businesses may negatively impact our business and financial results.

We have acquired—or made strategic investments in—other companies, products, or technologies, and expect to make additional acquisitions and strategic investments in the future. For example, in 2016, we acquired Pace plc and sold our whole-home solutions business, and in February 2017, we entered into an agreement to acquire the Ruckus Networks business from a subsidiary of Broadcom. Our ability to realize the anticipated benefits from acquisitions and strategic investments involves numerous risks, including, but not limited to, the following:

- The ability to satisfy closing conditions necessary to complete an acquisition, including receipt of applicable regulatory approvals;
- Difficulties in successfully integrating the acquired businesses and realizing any expected synergies, including failure to integrate successfully the sales organizations;
- Unanticipated costs, litigation, and other contingent liabilities;
- Diversion of management's attention from our daily operations and business;

- Adverse effects on existing business relationships with customers and suppliers;
- Risks associated with entering into markets in which we have limited or no prior experience;
- Inability to attract and retain key employees; and
- The impact of acquisition- and integration-related costs, goodwill or in-process research and development impairment charges, amortization costs for acquired intangible assets, and acquisition accounting treatment, including the loss of deferred revenue and increases in the fair values of inventory and other acquired assets, on our GAAP operating results and financial condition.

The Ruckus Networks acquisition will result in an expansion on our current technologies, and we intend to establish a new business unit to focus on this business. The expansion into new technologies, markets and distributions where we have not previously operated may not be successful and may adversely impact our ability to realize the benefits of the acquisition in the time expected or at all.

We may also divest or reduce our investment in certain businesses or product lines from time to time. Such divestitures involve risks, such as difficulty separating portions of our business, distracting employees, incurring potential loss of revenue, negatively impacting margins, and potentially disrupting customer relationships. We may also incur significant costs associated with exit or disposal activities, related impairment charges, or both.

Uncertainties related to our proposed acquisition of the Ruckus Networks may negatively affect our share price and our results of operations.

We have entered into an agreement to acquire the Ruckus Networks business. However, our acquisition is contingent on Broadcom Limited closing its own acquisition of Brocade Communication Systems Inc. (the current owner of the Network Edge Business). Broadcom's acquisition of Brocade is subject to its own closing conditions, and we cannot assure that those conditions will be met or that the transaction will close. The Brocade shareholders have approved the transaction, but Broadcom does not presently expect to close the Brocade acquisition until its fourth fiscal quarter ending November 2, 2017.

The Ruckus Networks acquisition is also subject to clearance from governmental competition authorities, regulatory approvals in various jurisdictions and customary closing conditions, which could delay or prevent the completion of the acquisition. We intend to make various filings with the competition authorities, the Committee on Foreign Investment in the United States and other regulatory authorities and must either fulfill various waiting period obligations or obtain affirmative approvals. While we believe that we will receive the required clearances, there can be no assurance as to their receipt or timing. If the clearances are received, they may conditioned in a way (i) that does not satisfy the conditions set forth in the acquisition agreement or (ii) that could have a detrimental impact on us following completion of the acquisition. A substantial delay in obtaining the required clearances or the imposition of unfavorable conditions, including a divestiture, could have an adverse effect on the anticipated benefits of the acquisition, thereby impacting our business, financial condition or results of operations or potentially preventing the completion of the acquisition entirely.

Uncertainty about the effect of the Ruckus Networks acquisition on employees, customers and suppliers may have an adverse effect on us. In addition, if the acquisition is not completed, our ongoing businesses may be adversely affected and, without realizing any of the benefits of having consummated the acquisition, we will be subject to a number of risks which, if they materialize, might adversely affect our business, results of operation and share price, including without limitation costs and expenses relating to the proposed acquisition, including substantial commitments of time and resources by our management which could otherwise have been devoted to other opportunities beneficial to us.

The IRS may not agree that we are a foreign corporation for U.S. federal income tax purposes.

Although, following the Pace transaction, we are incorporated under the laws of England and Wales and are a tax resident in the United Kingdom for U.K. tax purposes, the IRS may assert that we should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal income tax purposes. For U.S. federal income tax purposes, a corporation generally is considered to be a tax resident in the jurisdiction of its organization or incorporation. Because we are incorporated under the laws of England and Wales, we generally would be classified as a non-U.S. corporation (and, therefore, a non-U.S. tax resident) under these rules. Section 7874 of the Internal Revenue Code of 1986, as amended (the "Code"), however, provides an exception to this general rule under which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes.

Generally, for us to be treated as a non-U.S. corporation for U.S. federal income tax purposes under Section 7874, the former stockholders of ARRIS Group must own (within the meaning of Section 7874) less than 80% (by both vote and value) of all of the outstanding shares of ARRIS (the "Ownership Test"). Based on the terms of the Pace transaction, we believe historic ARRIS stockholders do own less than 80% of all of the outstanding shares in ARRIS and, thus, the Ownership Test has been satisfied. However, ownership for purposes of Section 7874 is subject to various adjustments under the Code and the Treasury Regulations promulgated thereunder, and there is limited guidance regarding the Section 7874 provisions, including regarding the application of the Ownership Test. There can be no assurance that the IRS will agree with the position that the Ownership Test was satisfied following the Pace transaction and/or would not successfully challenge the status of ARRIS as a non-U.S. corporation for U.S. federal income tax purposes.

If we were to be treated as a U.S. corporation for U.S. federal income tax purposes, we could be subject to substantial additional U.S. taxes. For U.K. tax purposes, we are expected, regardless of any application of Section 7874, to be treated as a U.K. tax resident. Consequently, if we are treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874, we could be liable for both U.S. and U.K. taxes, which could have a material adverse effect on our financial condition and results of operations.

Our status as a foreign corporation for U.S. tax purposes could be affected by a change in law.

Under current law, we expect to be treated as a non-U.S. corporation for U.S. federal income tax purposes. However, changes to Section 7874 or the Treasury Regulations promulgated thereunder, or other changes in law, could adversely affect our status as a non-U.S. corporation for U.S. federal income tax purposes, our effective tax rate and/or future tax planning, and any such changes could have prospective or retroactive application to us and our stockholders.

Recent legislative proposals have aimed to expand the scope of Section 7874, or otherwise address certain perceived issues arising in connection with so-called inversion transactions. For example, proposals introduced by certain members of both houses of the U.S. Congress that, if enacted in their present form, would be effective retroactively to any transactions completed after May 8, 2014 would, among other things, treat a foreign acquiring corporation as a U.S. corporation under Section 7874 if the former stockholders of the U.S. corporation own more than 50% (by vote or value) of the shares of the foreign acquiring corporation after the transaction. These proposals, if enacted in their present form and if made retroactively effective, would cause us to be treated as a U.S. corporation for U.S. federal income tax purposes. It is presently uncertain whether any such legislative proposals or any other legislation relating to Section 7874 or so-called inversion transactions will be enacted into law and, if so, what impact such legislation would have on us.

Additionally, on April 4, 2016, the U.S. Treasury issued proposed and temporary Regulations under Section 7874 and other sections of the Code, which, among other things, make it more difficult for the Ownership Test to be satisfied and would limit or eliminate certain tax benefits to so-called inverted corporations. These temporary Regulations generally apply to transactions occurring on or after April 4, 2016. Accordingly, with respect to the Combination, as it occurred prior to that date, we do not expect these temporary Regulations to adversely affect the tax status of ARRIS. However, these Regulations, among other things, may affect how, or limit options for how, ARRIS will be able to structure future acquisitions. We continue to monitor this situation, we will review any comments on these proposed Regulations that are made public, we will review the final Regulations when issued, and we will review any additional guidance issued by the U.S. Treasury and the IRS. Any such future guidance could have a material adverse impact on our financial position and results of operations.

Section 7874 of the Code may limit our ability to utilize certain U.S. tax attributes.

Following the acquisition of a U.S. corporation by a non-U.S. corporation, Section 7874 of the Code can limit the ability of the acquired U.S. corporation and its U.S. affiliates to utilize certain U.S. tax attributes (including net operating losses and certain tax credits) to offset, during the ten-year period following the acquisition, their U.S. taxable income, or related income tax liability, resulting from certain (a) transfers to related foreign persons of stock or other properties of the acquired U.S. corporation and its U.S. affiliates and (b) income received or accrued from related foreign persons during such period by reason of a license of any property by the acquired U.S. corporation and its U.S. affiliates (collectively, "inversion gain"). Based on the limited guidance available and as a result of the Pace transaction, we believe that this limitation under Section 7874 will apply and, as a result, we do not currently expect that the Company or its U.S. affiliates will be able to utilize certain U.S. tax attributes to reduce the amount of any inversion gain and/or to offset applicable U.S. federal income tax liability attributable to any inversion, but may continue to be used to reduce our taxable income from ordinary operations.

Changes to, interpretations of, and rulings related to, U.S., U.K., Luxembourg and other tax laws could adversely affect ARRIS.

Our business operations are subject to taxation in the U.S., U.K., Luxembourg and a number of other jurisdictions. Changes in tax laws or tax rulings, or changes in interpretations of existing laws, could materially affect our financial position and results from operations. Recently, the U.S. Congress, the Organization for Economic Co-operation and Development and other government agencies in jurisdictions where ARRIS and its affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting," including situations where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. Another example involves "illegal state aid" as determined by the EU Competition Commission, which would require EU member states to recover unlawful aid given to multinational enterprises in the form of favorable transfer pricing treatment. As a result, the tax laws, and the interpretation thereof, in the United States, the United Kingdom, Luxembourg and other countries in which ARRIS and its affiliates do business could change on a prospective or retroactive basis, including as part of the treaty changes that could result from the U.K.'s decision to leave the EU, and any such changes could adversely affect ARRIS and its affiliates. Further, the IRS or other applicable taxing authorities may disagree with positions we have taken in our tax filings, which could result in the requirement to pay additional tax, interest and penalties, which amounts could be significant.

Proposed changes to U.S. Model Income Tax Treaty could adversely affect ARRIS.

On May 20, 2015, the U.S. Treasury released proposed revisions to the U.S. model income tax convention (the "Model"), the baseline text used by the U.S. Treasury to negotiate tax treaties. The proposed revisions address certain aspects of the Model by modifying existing provisions and introducing entirely new provisions. Specifically, the proposed revisions target (1) exempt permanent establishments, (2) special tax regimes, (3) expatriated entities, (4) the anti-treaty shopping measures of the limitation on benefits article, and (5) subsequent changes in treaty partners' tax laws.

With respect to the proposed changes to the Model pertaining to expatriated entities, because it is expected that the Combination will otherwise be subject to Section 7874, if applicable treaties were subsequently amended to adopt such proposed changes, payments of interest, dividends, royalties and certain other items of income by ARRIS U.S. Holdings, Inc. (our primary U.S. holding company) or its U.S. affiliates to non-U.S. persons would become subject to full U.S. withholding tax at a 30% rate. This could result in material U.S. taxes being paid by recipients of payments from ARRIS Holdings and its U.S. affiliates. Additionally, revisions to the Model may influence the international community's discussion of approaches to treaty abuse and harmful tax practices with respect to the Organization for Economic Cooperation and Development's ongoing work regarding base erosion and profit shifting. We are unable to predict the likelihood that the proposed revisions to the Model become a part of the Model or any U.S. income tax treaty. However, any revisions to a U.S. income tax treaty, including the proposed revisions described in this paragraph, could adversely affect ARRIS and its affiliates.

Consequences of the U.K.'s delivering notice to leave the European Union could materially adversely affect our business.

In March 2017, the U.K. government delivered formal notice of its intention to withdraw from the European Union. As a result, it now has up to two years to negotiate the terms of its exit, unless all the remaining member states of the European Union agree to an extension. Given the lack of precedent, it is unclear how the withdrawal of the U.K. from the European Union will affect the U.K.'s access to the EU Single Market and other important financial and trade relationships and how it will affect us. The withdrawal could, among other outcomes, disrupt the free movement of goods, services and people between the U.K. and the European Union, undermine bilateral cooperation in key policy areas and significantly disrupt trade between the U.K. and the European Union, and creates a risk that ARRIS could not benefit from certain protections offered by existing double-tax treaties. Under current European Union rules, following the withdrawal the U.K. will not be able to negotiate bilateral trade agreements with member states of the European Union. In addition, a withdrawal of the U.K. from the European Union could significantly affect the fiscal, monetary, legal and regulatory landscape within the U.K. and could have a material impact on its economy and the future growth of its various industries, including the broadcast and broadband communication systems industry in which we operate. Although it is not possible to predict fully the effects of the withdrawal of the U.K. from the European Union, the possible exit of the U.K. from the European Union or prolonged periods of uncertainty in relation to it could have a material adverse effect on our business and our results of operations.

The broadcast and broadband communications system industry on which our business is focused is significantly impacted by technological change.

The broadcast and broadband communication systems industry has gone through dramatic technological change resulting in service providers rapidly migrating their business from a one-way television service to a two-way communications network enabling multiple services, such as residential and business high-speed Internet access, residential and business telephony services, digital television, video on demand and advertising services. New services, such as home security, power monitoring and control, 3-D and 4K (UHD) television that are or may be offered by service providers, are also based on, and will be characterized by, rapidly evolving technology. The development of increasing transmission speed, density and bandwidth for Internet traffic has also enabled the provision of high quality, feature length video over the Internet. This over-the-top IP video service enables content providers such as Netflix and Hulu, programmers such as HBO and ESPN and portals like Google to provide video services on-demand, by-passing traditional video service providers. As these service providers enhance their quality and scalability, traditional providers are introducing similar services over their existing networks, as well as over-the-top IP video for delivery not only to televisions but to computers, tablets, and telephones in order to remain competitive. In addition, service providers continue to explore ways to virtualize portions of their networks, reducing dependence on specifically designed equipment, including our products, by utilizing software that provide the same functions.

Our business is dependent on our ability to develop products that enable current and new customers to exploit these rapid technological changes. To the extent that we are unable to adapt our technologies to serve these emerging demands, including obtaining necessary certifications from content providers and programmers to include their over-the-top video applications as part of our product offerings and software to provide virtualized network functions, our business may be adversely affected.

The continued industry move to open standards may impact our future results.

The broadcast and broadband communication systems industry has and will continue to demand products based on open standards. The move toward open standards is expected to increase the number of service providers that will offer services to the market. This trend is also expected to increase the number of competitors who are able to supply products to service providers and drive down the capital costs per subscriber deployed. These factors may adversely impact both our future revenues and margins. In addition, many of our customers participate in “technology pools” and increasingly request that we donate a portion of our source code used by the customer to these pools, which may impact our ability to recapture the R&D investment made in developing such code.

We believe that we will be increasingly required to work with third party technology providers. As a result, we expect the shift to more open standards may require us to license software and other components indirectly to third parties via various open source licenses. In some circumstances, ARRIS’s use of such open source technology may include technology or protocols developed by standards settings bodies, other industry forums or third party companies. The terms of the open source licenses granted by such parties may limit our ability to commercialize products that utilize such technology, which could have a material adverse effect on our results.

Our business is concentrated in a few key customers. The loss of any of these customers or a significant reduction in sales to any of these customers would have a material adverse effect on our business.

For the six months ended June 30, 2017, sales to our three largest customers (including their affiliates, as applicable) accounted for approximately 49% of our total revenue. The loss of any of our large customers, or a significant reduction in the products or services provided to any of them would have a material adverse impact on our business. For many of these customers, we also are one of their largest suppliers. As a result, if from time-to-time customers elect to purchase products from our competitors in order to diversify their supplier base and to dual-source key products or to curtail purchasing due to budgetary or market conditions, such decisions could have material consequences to our business. In addition, because of the magnitude of our sales to these customers, the terms and timing of our sales are heavily negotiated, and even minor changes can have a significant impact upon our business.

We may face higher costs associated with protecting our intellectual property or obtaining necessary access to the intellectual property of others.

Our future success depends in part upon our proprietary technology, product development, technological expertise and distribution channels, in addition to a number of important patents and licenses. We cannot predict whether we can protect our technology or whether competitors will be able to develop similar technology independently, and such technology could be subject to challenge, unlawful copying or other unfair competitive practices. Given the dependence on technology within the market in which we compete, there are frequent claims and related litigation regarding patent and other intellectual property rights. We have received, directly or indirectly, and expect to continue to receive, from third parties, including some of our competitors, notices claiming that we, or our customers using our products, have infringed upon third-party patents or other proprietary rights. We are involved in several proceedings (and other proceedings have been threatened) in which our customers were sued for patent infringement. (See Part II, Item 1, "Legal Proceedings") In these cases our customers have made claims against us and other suppliers for indemnification. We may become involved in similar litigation involving these and other customers in the future. These claims, regardless of their merit, could result in costly litigation, divert the time, attention and resources of our management, delay our product shipments, and, in some cases, require us to enter into royalty or licensing agreements. If a claim of patent infringement against us or our customer is successful and we fail to obtain a license or develop non-infringing technology, we or our customer may be prohibited from marketing or selling products containing the infringing technology which could materially affect our business and operating results. In addition, the payment of any damages or any necessary licensing fees or indemnification costs associated with a patent infringement claim could be material and could also materially adversely affect our operating results.

We have substantial goodwill and amortizable intangible assets.

Our financial statements reflect substantial goodwill and intangible assets, approximately $2.0 billion and $1.5 billion, respectively, as of June 30, 2017, that was recognized in connection with acquisitions, including the recently completed Pace acquisition.

We annually (and more frequently if changes in circumstances indicate that the asset may be impaired) review the carrying amount of our goodwill in order to determine whether it has been impaired for accounting purposes. In general, if the fair value of the corresponding reporting unit is less than the carrying amount of the reporting unit, we record an impairment. The determination of fair value is dependent upon a number of factors, including assumptions about future cash flows and growth rates that are based on our current and long-term business plans. With respect to the amortizable intangible assets, we test recoverability when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Examples of such circumstances include, but are not limited to, operating or cash flow losses from the use of such assets or changes in our intended uses of such assets. If we determine that an asset or asset group is not recoverable, then we would record an impairment charge if the carrying amount of the asset or asset group exceeds its fair value. Fair value is based on estimated discounted future cash flows expected to be generated by the asset or asset group. The assumptions underlying cash flow projections would represent management's best estimates at the time of the impairment review.

While no goodwill or intangible asset impairments were recorded in 2016, as the ongoing expected cash flows and carrying amounts of our remaining goodwill and intangible assets are assessed, changes in the economic conditions, changes to our business strategy, changes in operating performance or other indicators of impairment could cause us to realize impairment charges in the future, including as a result of restructuring undertaken in connection with the integration of the former Pace operations during 2016. For example, we continue to evaluate the anticipated discounted cash flows from the Cloud software portion of our Network & Cloud segment and the trends impacting revenue and gross margin in the CPE segment. If we determine an impairment exists, we may be required to write off all or a portion of the goodwill and associated intangible assets related to the impaired business. For additional information, see the discussion under "Critical Accounting Policies" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Products currently under development may fail to realize anticipated benefits.

Rapidly changing technologies, evolving industry standards, frequent new product introductions and relatively short product life cycles characterize the markets for our products. The technology applications that we currently are developing are subject to technological, supply chain, product development and other related risks that could delay successful delivery. The market in which we operate is subject to a rapid rate of technological change, reflected in increased development and manufacturing complexity and increasingly demanding customer requirements, all of which can result in unforeseen delivery problems. Even if the products in development are successfully brought to market, they may be late, may not be widely used or we may not be able to capitalize successfully on the developed technology. To compete successfully, we must quickly design, develop, manufacture and sell new or enhanced products that provide increasingly higher levels of performance and reliability. However, we may not be able to develop or introduce these products successfully if such products:

- are not cost-effective;
- are not brought to market in a timely manner;
- fail to achieve market acceptance; or
- fail to meet industry certification standards.

Furthermore, our competitors may develop similar or alternative technologies that, if successful, could have a material adverse effect on us. Our strategic alliances are generally based on business relationships that have not been the subject of written agreements expressly providing for the alliance to continue for a significant period of time and the loss of any such strategic relationship could have a material adverse effect on our business and results of operations.

Defects within our products could have a material impact on our results.

Many of our products are complex technology that include both hardware and software components. It is not unusual for software, especially in earlier versions, to contain bugs that can unexpectedly interfere with expected operations. While we employ rigorous testing prior to the shipment of our products, defects, including those resulting from components we purchase, can still occur from time to time. Product defects, including hardware failures, could impact our reputation with our customers which may result in fewer sales. In addition, depending on the number of products affected, the cost of fixing or replacing such products could have a material impact on our operating results. In some cases, we are dependent on a sole supplier for components used in our products. Defects in sole-sourced components subject us to additional risk of being able to quickly address any product issues or failures experienced by our customers as a result of the component defect and could delay our ability to deliver new products until the defective components are corrected or a new supplier is identified and qualified. This could increase our costs in resolving the product issue, result in decreased sales of the impacted product, or damage our reputation with customers, any of which could have the effect of negatively impacting our operating results.

Hardware or software defects could also permit unauthorized users to gain access to our customers' networks and/or a consumer's home network. In addition to potentially damaging our reputation with customers, such defects may also subject us to claims for damages under agreements with our customers and subject us to fines by regulatory authorities.

We offer warranties of various lengths to our customers on many of our products and have established warranty reserves based on, among other things, our historic experience, failure rates and cost to repair. In the event of a significant non-recurring product failure, the amount of the warranty reserve may not be sufficient. From time to time we may also make repairs on defects that occur outside of the provided warranty period. Such costs would not be covered by the established reserves and, depending on the volume of any such repairs, may have a material adverse effect on our results from operations or financial condition.

Our success depends on our ability to attract and retain qualified personnel in all facets of our operations.

Competition for qualified personnel is intense, and we may not be successful in attracting and retaining key personnel, which could impact our ability to maintain and grow our operations. Our future success will depend, to a significant extent, on the ability of our management to operate effectively. In the past, competitors and others have attempted to recruit our employees and their attempts may continue. The loss of services of any key personnel, the inability to attract and retain qualified personnel in the future or delays in hiring required personnel, particularly engineers and other technical professionals, could negatively affect our business.

We are dependent on a limited number of suppliers, and inability to obtain adequate and timely delivery of supplies could have a material adverse effect on our business.

Many components, subassemblies and modules necessary for the manufacture or integration of our products are obtained from a sole supplier or a limited group of suppliers. Likewise, we have only a limited number of potential suppliers for certain materials and hardware used in our products, and a number of our agreements with suppliers are short-term in nature. Our reliance on sole or limited suppliers, particularly foreign suppliers, and our reliance on subcontractors involves several risks including a potential inability to obtain an adequate supply of required components, subassemblies, modules and other materials and reduced control over pricing, quality and timely delivery of components, subassemblies, modules and other products. An inability to obtain adequate deliveries or any other circumstance that would require us to seek alternative sources of supply could affect our ability to ship products on a timely basis which could damage relationships with current and prospective customers and potentially have a material adverse effect on our business. Our ability to ship products could also be impacted by country laws and/or union labor disruptions. Disputes of this nature may have a material impact on our financial results.

We are subject to the economic, political and social instability risks associated with doing business in certain foreign countries.

For the six months ended June 30, 2017, approximately 34% of our sales were made outside of the United States. In addition, a significant portion of our products are manufactured or assembled in China, Mexico and Taiwan. As a result, we are exposed to risk of international operations, including:

- fluctuations in currency exchange rates;
- inflexible employee contracts or labor laws in the event of business downturns;
- compliance with United States and foreign laws concerning trade and employment practices;
- the challenges inherent in consistently maintaining compliance with the Foreign Corrupt Practice Act and similar laws in other jurisdictions;
- the imposition of government controls;
- difficulties in obtaining or complying with export license requirements;
- labor unrest, including strikes, and difficulties in staffing;
- security concerns;
- economic boycott for doing business in certain countries;
- coordinating communications among and managing international operations;
- currency controls;
- changes in tax and trade laws that increase our local costs;
- exposure to heightened corruption risks; and
- reduced protection for intellectual property rights.

Political instability and military and terrorist activities may have significant impacts on our customers' spending in these regions and can further enhance many of the risks identified above. Any of these risks could impact our sales, interfere with the operation of our facilities and result in reduced production, increased costs, or both, which could have an adverse effect on our financial results.

We depend on channel partners to sell our products in certain regions and are subject to risks associated with these arrangements.

We utilize distributors, value-added resellers, system integrators, and manufacturers' representatives to sell our products to certain customers and in certain geographic regions to improve our access to these customers and regions and to lower our overall cost of sales and post-sales support. Our sales through channel partners are subject to a number of risks, including:

- ability of our selected channel partners to effectively sell our products to end customers;
- our ability to continue channel partner arrangements into the future since most are for a limited term and subject to mutual agreement to extend;
- a reduction in gross margins realized on sale of our products;
- compliance by our channel partners with our policies and procedures as well as applicable laws; and
- a diminution of contact with end customers which, over time, could adversely impact our ability to develop new products that meet customers' evolving requirements.

The planned upgrade of our enterprise resource planning ("ERP") software solution could result in significant disruptions to our operations.

We have initiated the process of upgrading our ERP software solution to a newer, cloud-based version. We expect the upgrade to be completed in 2019. Implementation of the upgraded solution will have a significant impact on our business processes and information systems. The transition will require significant change management, meaningful investment in capital and personnel resources, and coordination of numerous software and system providers and internal business teams. We may experience difficulties as we manage these changes and transitions to the upgraded systems, including loss or corruption of data, delayed shipments, decreases in productivity as personnel implement and become familiar with new systems and processes, unanticipated expenses (including increased costs of implementation or costs of conducting business), and lost revenues. Difficulties in implementing the upgraded solution or significant system failures could disrupt our operations, divert management’s attention from key strategic initiatives, and have an adverse effect on our capital resources, financial condition, results of operations, or cash flows. In addition, any delays in completing the upgrade process could exacerbate these transition risks as well as expose us to additional risks in the event that the support for our existing ERP software solution is reduced or eliminated.

The import of our products is subject to trade regulations.

The import of our products into the United States and certain other countries is subject to the trade regulations in the countries where they are imported. Products may be subject to customs duties that we pay to the applicable government agency and then collect from our customers in connection with the sale of the imported products. The amount of the customs duty owed, if any, is based on classification of the products within the applicable customs regulations. A significant portion of our overall shipments import into the United States, any change to trade regulations may challenge our classifications and the amount of any duty or tax payable. While we believe that our products have been properly classified, the U.S. Customs Agency or other applicable foreign regulatory agencies, may challenge our classifications and the amount of any duty payable. For example, we currently have a case pending in the U.S. Court of International Trade regarding the challenge by the U.S. Customs Agency with respect to certain digital television adapters that we import into the United States and believe are duty free. If it is ultimately determined that a product has been misclassified for customs purposes, we may be required to pay additional duties for products previously imported and we may not be successful in collecting the increased duty from the customer that purchased the products. In addition, we could be required to pay interest and/or fines to the applicable regulator, which amounts could be significant and negatively impact our results of operations. Further, if we do not comply with the applicable trade regulations, delivery of products to customers may be delayed which could negatively impact our sales and results of operations.

Our stock price has been and may continue to be volatile.

Our ordinary shares are traded on The NASDAQ Global Select Market. The trading price of our shares has been and may continue to be subject to large fluctuations. Our stock price may increase or decrease in response to a number of events and factors including:

- future announcements concerning us, key customers or competitors;
- variations in operating results from period to period;
- changes in financial estimates and recommendations by securities analysts;
- developments with respect to technology or litigation;
- the operating and stock price performance of our competitors; and
- acquisitions and financings.

Fluctuations in the stock market, generally, also impact the volatility of our stock price. General stock market movements may adversely affect the price of our ordinary shares, regardless of our operating performance. Volatility in our stock price will also impact the fair value determination of our outstanding warrants with customers. A significant increase in our stock price while we are required to mark-to-market the fair value of the outstanding warrants to customers may increase the reduction in revenues we are required to record under the required accounting treatment for the warrants which could have a significant impact on our operating results.

Cyber-security incidents, including data security breaches or computer viruses, could harm our business by disrupting our delivery of services, damaging our reputation or exposing us to liability.

We receive, process, store and transmit, often electronically, the confidential data of our clients and others. Unauthorized access to our computer systems or stored data could result in the theft or improper disclosure of confidential information, the deletion or modification of records or could cause interruptions in our operations. These cyber-security risks increase when we transmit information from one location to another, including transmissions over the Internet or other electronic networks. Despite implemented security measures, our facilities, systems and procedures, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, software viruses, misplaced or lost data, programming and/or human errors or other similar events which may disrupt our delivery of services or expose the confidential information of our clients and others.

In addition, defects in the hardware or software we develop and sell, or in their implementation by our customers, could also result in unauthorized access to our customers' and/or consumers' networks. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential information of our customers or others, whether by us or a third party, could (i) subject us to civil and criminal penalties, (ii) have a negative impact on our reputation, or (iii) expose us to liability to our customers, third parties or government authorities. Any of these developments could have a material adverse effect on our business, results of operations and financial condition. We have not experienced any such incidents that have had material consequences to date. We expect the U.S. and other countries to adopt additional cyber-security legislation that, if enacted, could impose additional obligations upon us that may negatively impact our operating results.

Regulations related to conflict minerals may adversely affect us.

We are subject to the SEC disclosure obligations relating to our use of so-called “conflict minerals”—columbite-tantalite, cassiterite (tin), wolframite (tungsten) and gold. These minerals are present in substantially all of our products. We are required to file a report with the SEC annually covering our use of these materials and their source.

In preparing these reports, we are dependent upon information supplied by suppliers of products that contain, or potentially contain, conflict minerals. To the extent that the information that we receive from our suppliers is inaccurate or inadequate or our processes in obtaining that information do not fulfill the SEC’s requirements, we could face reputational risks. Further, if in the future we are unable to certify that our products are conflict mineral free, we may face challenges with our customers, which could place us at a competitive disadvantage.

We do not intend to pay cash dividends in the foreseeable future.

We do not anticipate paying cash dividends on our ordinary shares in the foreseeable future. In addition, our ability to pay dividends is limited by the terms of our credit facilities. Payment of dividends in the future will depend on, among other things, business conditions, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant.

As a result of shareholder voting requirements in the United Kingdom relative to Delaware, we have less flexibility with respect to certain aspects of capital management than we had as a Delaware corporation.

Prior to the Pace transaction, we were incorporated under Delaware law, which allowed our directors to authorize the issuance, without stockholder approval or any preemptive rights, of any shares authorized by our certificate of incorporation that were not already issued. Under English law, our directors may issue new ordinary shares up to a maximum amount equal to the allotment authority granted to the directors under our articles of association or by an ordinary resolution of our shareholders, subject to a five year limit on such authority. Additionally, subject to specified exceptions, English law grants preemptive rights to existing shareholders to subscribe for new issuances of shares for cash, but allows shareholders to waive these rights by way of a special resolution with respect to any particular allotment of shares or generally, subject to a five-year limit on such waiver. Our articles of association contain, as permitted by English law, a provision authorizing our Board to issue new shares for cash without preemptive rights. The authorization of the directors to issue shares without further shareholder approval and the authorization of the waiver of the statutory preemption rights must both be renewed by the shareholders at least every five years, and we cannot provide any assurance that these authorizations always will be approved, which could limit our ability to issue equity and, thereby, adversely affect the holders of our ordinary shares. While we do not believe that the differences between Delaware law and English law relating to our capital management will have a material adverse effect on us, situations may arise where the flexibility had under Delaware law would have provided benefits to our shareholders that is not be available under English law.

Any attempted takeovers of us will be governed by English law.

As a U.K. incorporated company, we are subject to English law. An English public limited company is potentially subject to the protections afforded by the U.K. Takeover Code if, among other factors, a majority of its directors are resident within the U.K., the Channel Islands or the Isle of Man. We do not believe that the U.K. Takeover Code applies to us, and, as a result, our articles of association include measures similar to what may be found in the charters of U.S. companies, including the power for our Board to allot shares where in the opinion of the Board it is necessary to do so in the context of an acquisition of 20% or more of the issued voting shares in specified circumstances (this power is subject to renewal by our shareholders at least every five years and will cease to be applicable if the U.K. Takeover Code is subsequently deemed to be applicable to ARRIS). Further, it could be more difficult for us to obtain shareholder approval for a merger or negotiated transaction because the shareholder approval requirements for certain types of transactions differ, and in some cases are greater, under English law than under Delaware law. The provisions of our articles of association and English law may have an anti-takeover impact on us and our ordinary shares.

Transfers of our ordinary shares, other than one effected by means of the transfer of book-entry interests in the Depository Trust Company ("DTC"), may be subject to U.K. stamp duty.

Substantially all of our outstanding shares are currently represented by book-entry interests in DTC. Transfers of our ordinary shares within DTC should not be subject to stamp duty or stamp duty reserve tax ("SDRT") provided no instrument of transfer is entered into and no election that applies to our ordinary shares is made or has been made by DTC or Cede, its nominee, under Section 97A of the U.K. Finance Act 1986. In this regard DTC has confirmed that neither DTC nor Cede (its nominee) has made an election under Section 97A of the Finance Act that would affect our shares issued to Cede. If such an election is or has been made, transfers of our ordinary shares within DTC generally will be subject to SDRT at the rate of 0.5% of the amount or value of the consideration. Transfers of our ordinary shares held in certificated form generally will be subject to stamp duty at the rate of 0.5% of the consideration given (rounded up to the nearest £5). SDRT will also be chargeable on an agreement to transfer such shares, although such liability would be discharged if stamp duty is duly paid on the instrument of transfer implementing such agreement within a period of six years from the agreement. Subsequent transfer of our ordinary shares to an issuer of depository receipts or into a clearance system (including DTC) may be subject to SDRT at a rate of 1.5% of the consideration given or received or, in certain cases, the value of our ordinary shares transferred. The purchaser or transferee of the ordinary shares generally will be responsible for paying any stamp duty or SDRT payable.

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

The following table sets forth information regarding the purchases of our equity securities made by us during the three months ended June 30, 2017:

Period	Total Number of Shares Purchased[(1)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
April 2017	1,500,747	$25.89	1,500,747	300,000
May 2017	4,428	$28.01	—	300,000
June 2017	172,980	$28.93	172,841	295,000

(1) 4,567 shares were subject to equity awards that were cancelled for cash to satisfy minimum tax withholding obligations that arose on the vesting of shares of restricted stock units.

Upon completing the Combination, ARRIS International plc conducted a court-approved process in accordance with section 641(1)(b) of the U.K. Companies Act 2006, pursuant to which the Company reduced its stated share capital and thereby increased its distributable reserves or excess capital out of which ARRIS may legally pay dividends or repurchase shares. Distributable reserves are not linked to a U.S. GAAP reported amount.

In early 2016, the Company's Board of Directors approved a $300 million share repurchase authorization replacing all prior programs. In March 2017, the Board authorized an additional $300 million for share repurchases.

During the first quarter of 2017, ARRIS repurchased 3.3 million of the Company's ordinary shares at an average price of $25.44 per share, for aggregate consideration of approximately $83.1 million. During the second quarter of 2017, ARRIS repurchased 1.7 million of the Company's ordinary shares at an average price of $26.20 per share, for aggregate consideration of approximately $43.9 million. The remaining authorized amount for stock repurchases under these plans was $295.0 million as of June 30, 2017. Unless terminated earlier by a Board resolution, these new plans will expire when ARRIS has used all authorized funds for repurchase.

Item 6. EXHIBITS

Exhibit No.	*Description of Exhibit*
10.1	First Amendment to the ARRIS International plc Amended and Restated Employee Stock Purchase Plan
31.1	Section 302 Certification of Chief Executive Officer, filed herewith
31.2	Section 302 Certification of Chief Financial Officer, filed herewith
32.1	Section 906 Certification of Chief Executive Officer, filed herewith
32.2	Section 906 Certification of Chief Financial Officer, filed herewith
101.INS	XBRL Instant Document, filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document, filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document, filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document, filed herewith
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document, filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document, filed herewith

SIGNATURES

Pursuant to the requirements 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.

ARRIS INTERNATIONAL PLC

/s/ DAVID B. POTTS

David B. Potts
Executive Vice President,
Chief Financial Officer and
Chief Accounting Officer

Dated: August 8, 2017

Exhibit 10.1

FIRST AMENDMENT
TO THE
ARRIS INTERNATIONAL PLC AMENDED AND RESTATED
EMPLOYEE STOCK PURCHASE PLAN
(As amended through January 4, 2016)

THIS FIRST AMENDMENT is made as of the 10th day of May, 2017, by ARRIS International plc, registered in England & Wales with company number 09551763 (the "Company"), to be effective as set forth herein.

W I T N E S S E T H:

WHEREAS, the Company previously established the ARRIS International plc Amended and Restated Employee Stock Purchase Plan (the "Plan"); and

WHEREAS, the Company now desires to amend the Plan to increase the aggregate number of ordinary shares, 1 pence par value per share, of the Company (the "Common Stock") available for issuance under the Plan.

NOW, THEREFORE, the Plan is hereby amended, as follows:

1. Section 3 of the Plan is hereby amended by deleting the present section in its entirety and substituting the following in lieu thereof:

> **3. STOCK SUBJECT OF THE PLAN.** Subject to the provisions of paragraph 10, the stock which may be sold pursuant to options under the Plan shall not exceed in the aggregate 10,800,000 shares of the authorized Common Stock of the Company, which is an increase of 4,000,000 shares from the previously-authorized 6,800,000 shares, including shares of ARRIS Group, Inc. issued prior to January 4, 2016 (the "Shares"). The Shares may be authorized but unissued Shares or Shares reacquired by the Company and held in its treasury. Options issued under the Plan will reduce the number of Shares available under the Plan by the number of Shares subject to the issued option. If unexercised options expire or terminate for any reason, in whole or in part, the number of Shares subject to the unexercised portion of such options will be available again for issuance under the Plan.

2. This First Amendment is subject to the approval of the shareholders of the Company at a meeting duly called for such purposes. The increase in number of shares of Common Stock available for issuance may not be issued pursuant to the Plan unless and until such amendment is approved by the shareholders within twelve (12) months after the date first written above, which was the date the Board of Directors of the Company approved this First Amendment. Except as hereby modified, the Plan shall remain in full force and effect.

[signature page to follow]

IN WITNESS WHEREOF, the Company has executed this First Amendment as of the date first written above.

COMPANY:

ARRIS INTERNATIONAL PLC

By: /s/ Patrick Macken
Name: Patrick Macken
Title: SVP, General Counsel & Secretary

Exhibit 31.1

Certification Pursuant to § 302 of the Sarbanes-Oxley Act of 2002

I, Bruce W. McClelland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ARRIS International plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for internal purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

/s/ BRUCE MCCLELLAND
Bruce W. McClelland
Chief Executive Officer

Exhibit 31.2

Certification Pursuant to § 302 of the Sarbanes-Oxley Act of 2002

I, David B. Potts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ARRIS International plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for internal purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

/s/ DAVID B. POTTS

David B. Potts
Executive Vice President,
Chief Financial Officer and
Chief Accounting Officer

Exhibit 32.1

Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)

The undersigned, as the chief executive officer of ARRIS International plc, certifies that to the best of his knowledge the Quarterly Report on Form 10-Q for the period ended June 30, 2017, which accompanies this certification fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of ARRIS International plc at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose.

Dated this 8th day of August, 2017

/s/ BRUCE MCCLELLAND
Bruce W. McClelland
Chief Executive Officer

Exhibit 32.2

Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)

The undersigned, as the chief financial officer of ARRIS International plc, certifies that to the best of his knowledge the Quarterly Report on Form 10-Q for the period ended June 30, 2017, which accompanies this certification fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of ARRIS International plc at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose.

Dated this 8th day of August, 2017

/s/ DAVID B. POTTS

David B. Potts
Executive Vice President,
Chief Financial Officer and
Chief Accounting Officer