

ARRIS INTERNATIONAL PLC
PRELIMINARY SUPPLEMENTAL OPERATING INCOME TO ADJUSTED DIRECT CONTRIBUTION RECONCILIATION
(in thousands)
(unaudited)

| | Q4 2018 | | | | | Year 2018 | | | | |
|---|--------------------|---------------------|-------------------|--------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| | Network & Cloud | CPE | Enterprise | Corp/ Other | Total | Network & Cloud | CPE | Enterprise | Corp/ Other | Total |
| Sales | \$ 536,782 | \$ 1,099,068 | \$ 153,039 | \$ (1,746) | \$ 1,787,143 | \$ 2,156,577 | \$ 3,923,894 | \$ 675,352 | \$ (13,183) | \$ 6,742,640 |
| Add: | | | | | | | | | | |
| Acquisition accounting impacts of deferred revenue | - | - | 1,700 | - | 1,700 | - | - | 13,101 | - | 13,101 |
| Adjusted sales | <u>\$ 536,782</u> | <u>\$ 1,099,068</u> | <u>\$ 154,739</u> | <u>\$ (1,746)</u> | <u>\$ 1,788,843</u> | <u>\$ 2,156,577</u> | <u>\$ 3,923,894</u> | <u>\$ 688,453</u> | <u>\$ (13,183)</u> | <u>\$ 6,755,741</u> |
| | | | | | | | | | | |
| Operating income (loss) | \$ 191,318 | \$ 38,775 | \$ (14,980) | \$ (147,040) | \$ 68,073 | \$ 732,529 | \$ 50,766 | \$ (16,111) | \$ (588,299) | \$ 178,885 |
| Add: | | | | | | | | | | |
| Amortization of intangible assets | 24,707 | 46,840 | 17,697 | 818 | 90,062 | 99,316 | 207,804 | 73,176 | 3,265 | 383,561 |
| Impairment of goodwill and intangible assets | - | - | - | - | - | 3,400 | - | - | - | 3,400 |
| Gain on sale of fixed assets | - | (13,346) | - | - | (13,346) | - | (13,346) | - | - | (13,346) |
| Integration, acquisition, restructuring & other costs | 3,955 | 605 | 2,254 | 6,909 | 13,723 | 13,693 | 25,286 | 7,602 | 8,687 | 55,268 |
| Direct contribution ⁽¹⁾ | <u>219,980</u> | <u>72,874</u> | <u>4,971</u> | <u>(139,313)</u> | <u>158,512</u> | <u>848,938</u> | <u>270,510</u> | <u>64,667</u> | <u>(576,347)</u> | <u>607,768</u> |
| Adjustments: | | | | | | | | | | |
| Allocated costs ⁽²⁾ | (27,868) | (19,099) | (6,275) | 53,242 | - | (114,036) | (77,993) | (22,917) | 214,946 | - |
| Stock compensation expense | 8,150 | 5,043 | 4,057 | 4,896 | 22,146 | 32,485 | 21,566 | 14,272 | 16,910 | 85,233 |
| Depreciation expense | 6,711 | 6,919 | 1,017 | 3,500 | 18,147 | 27,181 | 28,701 | 10,889 | 16,915 | 83,686 |
| Adjusted direct contribution | <u>\$ 206,973</u> | <u>\$ 65,737</u> | <u>\$ 3,770</u> | <u>\$ (77,675)</u> | <u>\$ 198,805</u> | <u>\$ 794,568</u> | <u>\$ 242,784</u> | <u>\$ 66,911</u> | <u>\$ (327,576)</u> | <u>\$ 776,687</u> |

(1) Defined as gross margin less direct operating expenses, excluding amortization of intangible assets, impairments, gain on sale of fixed assets, integration, acquisition, restructuring, and other costs.

(2) Allocated facility costs and service provider sales and marketing costs