

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

	Q4 2010		Q4 2009		Year 2010		Year 2009	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share
Net income	\$ 11,321	\$ 0.09	\$ 33,279	\$ 0.26	\$ 64,128	\$ 0.50	\$ 90,769	\$ 0.71
Highlighted items:								
<i>Impacting gross margin:</i>								
Stock compensation expense	492	-	383	0.00	1,897	0.01	1,446	0.01
<i>Impacting operating expenses:</i>								
Acquisition costs, restructuring and other	(8)	-	2,917	0.02	65	-	3,977	0.03
Amortization of intangible assets	8,944	0.07	9,554	0.07	35,957	0.28	37,361	0.29
Stock compensation expense	5,277	0.05	3,824	0.03	19,930	0.15	14,475	0.11
<i>Impacting other (income) / expense:</i>								
Non-cash interest expense	2,777	0.02	2,827	0.02	11,325	0.09	11,135	0.09
Loss (gain) on retirement of debt	5	-	-	-	(373)	-	(4,152)	(0.03)
<i>Impacting income tax expense:</i>								
Adjustments of income tax valuation allowances, research & development credits and other	1,058	0.01	(4,422)	(0.03)	889	0.01	(3,133)	(0.02)
Tax related to highlighted items above	(6,503)	(0.05)	(7,375)	(0.06)	(24,311)	(0.19)	(22,561)	(0.18)
Total highlighted items	12,042	0.10	7,708	0.06	45,379	0.35	38,548	0.30
Net income excluding highlighted items	\$ 23,363	\$ 0.19	\$ 40,987	\$ 0.32	\$ 109,507	\$ 0.85	\$ 129,317	\$ 1.01
Weighted average common shares - diluted		125,758		129,524		128,271		128,085

With respect to stock compensation expense, ARRIS records non-cash compensation expense related to grants of options and restricted stock. Depending upon the size, timing and the terms of the grants, this non-cash compensation expense may vary significantly. With respect to amortization of intangibles, the intangibles being amortized relate to our acquisitions. The acquisition costs, restructuring, and other reflect items that, although they or similar items might recur, are of a nature and magnitude that identifying them separately provides investors with a greater ability to project ARRIS' future performance. With respect to the convertible debt non-cash interest, ARRIS records non-cash interest expense related to the 2013 convertible debt as a result of the adoption of FSP ABP 14-1 on January 1, 2009. Disclosing the non-cash piece provides investors with the information regarding interest that will not be paid out in cash. In the first and second quarters of 2010 and in the first and third quarter of 2009, income tax expense adjustments were recorded for state valuation allowances and research and development tax credits. During the first quarter of 2009, and the second, third & fourth quarters of 2010, ARRIS repurchased a portion of their convertible debt and recognized a gain of approximately \$4.2 million, \$0.1 million and \$0.3 million and loss of \$5 thousand, respectively.

In assessing operating performance and preparing budgets and forecasts, ARRIS' management considers performance after making these adjustments and believes that providing investors with the same information provides greater transparency and insight into management's analysis.