



# ARRIS

## Chairman's Letter

2012 was a very remarkable year for ARRIS, during which we increased revenues by 24% year-over-year to \$1.354 billion, expanded our global market share, and laid plans to dramatically increase the Company's size, reach and portfolio. We continued to increase our investments in new products and platforms, which will serve us well in the years ahead as we meet the technology needs of a growing customer base with a broadening suite of IP-based solutions.

Of course, the climax of the year was the announcement of our agreement to acquire the Home Division of Motorola Mobility from Google on which I comment below.

Our customers continue to add broadband subscribers, which, in turn, drives increased shipments in CMTS ports and energy-efficient, high-speed data, voice and wireless-enabled customer premises devices – of which we sold an unprecedented 8.4 million in 2012. Our growing family of full-featured multimedia Gateways continues to add new customers in North America and is now in advanced trials in Europe and Latin America. Our next generation E6000 Converged Edge Router is in trials with major MSOs worldwide, who need its density to meet consumers' demand for more and more Internet video traffic.

Internationally, we realized significant opportunities for our core businesses as well as increased demand for the portfolio of video-centric products that we added in late 2011 with the BigBand acquisition. We saw sustained demand for our technologies across Latin America, Canada and key Asia-Pacific markets and while our business in Europe was flat, there are encouraging signs of interest there in our Cable Edge, Gateway and Assurance solutions.

Our financial profile and balance sheet remained strong. During 2012, we grew non-GAAP EPS 15%, generated \$84 million of cash from operating activities and had over \$584 million of cash on hand at year end. We also continued our strategy of share buybacks, repurchasing approximately 4.5 million shares of ARRIS stock.

Looking to the future, we will continue to invest in high growth opportunities and to expand and diversify our portfolio of products and our customer base to achieve long term growth. Toward that end, in December of 2012, we announced our agreement to purchase Motorola Home, a large and well-respected technology supplier. Industry reaction to the acquisition has been overwhelmingly favorable with both Google (which owns Motorola Home) and Comcast, our leading customer, committing to take minority investment positions in ARRIS. The transaction closed on April 17, 2013. The "New ARRIS" will more than triple our current size and bring us a vastly enhanced portfolio of next generation video, data, wireless and voice products with which to delight our expanding global customer base. As always, we will continue to remain focused on execution, and anticipating our customers' bandwidth needs as they compete to provide consumers with the features and services they want.

In closing, I want to thank the many ARRIS employees worldwide for their continued commitment to quality and innovation. None of our success would be possible without your hard work, skills and pursuit of excellence.

Sincerely,

