

CommScope Holding Company, Inc.
Condensed Consolidated Statements of Operations
(Unaudited -- In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	\$ 1,000,427	\$ 888,011	\$ 3,001,719	\$ 2,633,559
Operating costs and expenses:				
Cost of sales	637,940	577,812	1,889,870	1,724,461
Selling, general and administrative	121,417	122,424	355,515	354,818
Research and development	30,806	31,757	95,758	95,553
Amortization of purchased intangible assets	44,835	43,956	133,439	130,921
Restructuring costs, net	7,388	4,900	11,677	16,433
Asset impairments	7,000	7,320	14,229	41,802
Total operating costs and expenses	<u>849,386</u>	<u>788,169</u>	<u>2,500,488</u>	<u>2,363,988</u>
Operating income	151,041	99,842	501,231	269,571
Other income (expense), net	1,393	(3,394)	(90,593)	(8,665)
Interest expense	(36,504)	(53,972)	(142,409)	(147,809)
Interest income	1,394	650	3,609	2,260
Income before income taxes	117,324	43,126	271,838	115,357
Income tax expense	(20,893)	(31,839)	(82,877)	(87,048)
Net income	<u>\$ 96,431</u>	<u>\$ 11,287</u>	<u>\$ 188,961</u>	<u>\$ 28,309</u>
Earnings per share:				
Basic	\$ 0.51	\$ 0.07	\$ 1.01	\$ 0.18
Diluted (a)	\$ 0.50	\$ 0.07	\$ 0.99	\$ 0.18
Weighted average shares outstanding:				
Basic	187,407	154,885	186,624	154,883
Diluted (a)	191,627	159,064	191,126	158,008
(a) Calculation of diluted earnings per share:				
Net income (basic)	\$ 96,431	\$ 11,287	\$ 188,961	\$ 28,309
Weighted average shares (basic)	187,407	154,885	186,624	154,883
Dilutive effect of stock options	<u>4,220</u>	<u>4,179</u>	<u>4,502</u>	<u>3,125</u>
Denominator (diluted)	<u>191,627</u>	<u>159,064</u>	<u>191,126</u>	<u>158,008</u>

See notes to unaudited condensed consolidated financial statements included in our Form 10-Q.

CommScope Holding Company, Inc.
Condensed Consolidated Balance Sheets
(Unaudited -- In thousands, except share amounts)

	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 616,434	\$ 346,320
Accounts receivable, less allowance for doubtful accounts of \$12,726 and \$12,617, respectively	703,887	607,489
Inventories, net	418,076	372,187
Prepaid expenses and other current assets	59,387	71,818
Deferred income taxes	62,980	55,609
Total current assets	1,860,764	1,453,423
Property, plant and equipment, net of accumulated depreciation of \$212,538 and \$183,965, respectively	293,915	310,143
Goodwill	1,451,653	1,450,506
Other intangible assets, net	1,306,930	1,422,192
Other noncurrent assets	145,460	97,791
Total assets	\$ 5,058,722	\$ 4,734,055
Liabilities and Stockholders' Equity		
Accounts payable	\$ 238,863	\$ 251,639
Other accrued liabilities	322,965	332,280
Current portion of long-term debt	8,993	9,462
Total current liabilities	570,821	593,381
Long-term debt	2,700,265	2,505,090
Deferred income taxes	370,711	386,527
Pension and postretirement benefit liabilities	24,512	40,349
Other noncurrent liabilities	100,198	120,692
Total liabilities	3,766,507	3,646,039
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: None at September 30, 2014 and December 31, 2013	—	—
Common stock, \$0.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 187,634,080 and 185,861,777 at September 30, 2014 and December 31, 2013, respectively	1,886	1,868
Additional paid-in capital	2,134,951	2,101,350
Retained earnings (accumulated deficit)	(789,330)	(978,291)
Accumulated other comprehensive loss	(44,657)	(26,276)
Treasury stock, at cost: 961,566 shares at September 30, 2014 and 961,566 shares at December 31, 2013	(10,635)	(10,635)
Total stockholders' equity	1,292,215	1,088,016
Total liabilities and stockholders' equity	\$ 5,058,722	\$ 4,734,055

See notes to unaudited condensed consolidated financial statements included in our Form 10-Q.

CommScope Holding Company, Inc.
Consolidated Statements of Cash Flows
(Unaudited -- In thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Operating Activities:				
Net income	\$ 96,431	\$ 11,287	\$ 188,961	\$ 28,309
Adjustments to reconcile net income to net cash generated by operating activities:				
Depreciation and amortization	60,385	61,928	198,866	183,865
Equity-based compensation	5,560	3,570	15,731	12,657
Deferred income taxes	(20,036)	8,952	(31,531)	14,728
Asset impairments	7,000	7,320	14,229	41,802
Excess tax benefits from equity-based compensation	(3,596)	—	(10,583)	(9)
Changes in assets and liabilities:				
Accounts receivable	69,172	83,412	(99,645)	(46,795)
Inventories	26,785	3,596	(49,671)	(57,546)
Prepaid expenses and other assets	22,330	(11,646)	2,904	(20,481)
Accounts payable and other liabilities	(52,913)	(44,961)	(58,095)	(19,779)
Other	(609)	3,658	(9,534)	14,516
Net cash generated by operating activities	210,509	127,116	161,632	151,267
Investing Activities:				
Additions to property, plant and equipment	(8,693)	(11,702)	(24,884)	(27,729)
Proceeds from sale of property, plant and equipment	166	182	1,612	1,238
Cash paid for acquisitions	(44,919)	(21,770)	(40,174)	(55,770)
Other	(13,250)	—	(5,951)	2,902
Net cash used in investing activities	(66,696)	(33,290)	(69,397)	(79,359)
Financing Activities:				
Long-term debt repaid	(2,408)	(32,788)	(1,122,197)	(205,237)
Long-term debt proceeds	—	30,072	1,315,000	747,035
Long-term debt financing costs	(519)	(324)	(23,257)	(13,127)
Proceeds from the issuance of common shares under equity-based compensation plans	2,805	—	10,747	—
Excess tax benefits from equity-based compensation	3,596	—	10,583	9
Dividends paid	—	—	—	(538,705)
Cash paid to stock option holders	—	(4,107)	—	(11,295)
Other	—	—	—	(32)
Net cash generated by (used in) financing activities	3,474	(7,147)	190,876	(21,352)
Effect of exchange rate changes on cash and cash equivalents	(11,902)	1,756	(12,997)	(2,886)
Change in cash and cash equivalents	135,385	88,435	270,114	47,670
Cash and cash equivalents, beginning of period	481,049	223,610	346,320	264,375
Cash and cash equivalents, end of period	\$ 616,434	\$ 312,045	\$ 616,434	\$ 312,045

See notes to unaudited condensed consolidated financial statements included in our Form 10-Q.

CommScope Holding Company, Inc.
Reconciliation of GAAP Measures to Non-GAAP Adjusted Measures
(Unaudited -- In millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating income, as reported	\$ 151.0	\$ 99.8	\$ 501.2	\$ 269.6
Adjustments:				
Amortization of purchased intangible assets	44.8	44.0	133.4	130.9
Restructuring costs, net	7.4	4.9	11.7	16.4
Equity-based compensation	5.6	3.6	15.7	12.7
Asset impairments	7.0	7.3	14.2	41.8
Transaction costs	2.7	1.2	4.6	5.4
Purchase accounting adjustments ⁽¹⁾	-	1.6	(11.9)	2.0
Total adjustments to operating income	67.5	62.6	167.7	209.2
Non-GAAP operating income	\$ 218.5	\$ 162.3	\$ 669.0	\$ 478.8
Income before income taxes, as reported	\$ 117.3	\$ 43.1	\$ 271.8	\$ 115.4
Income tax expense, as reported	(20.9)	(31.8)	(82.9)	(87.0)
Net income, as reported	\$ 96.4	\$ 11.3	\$ 189.0	\$ 28.3
Adjustments:				
Total pretax adjustments to operating income	67.5	62.6	167.7	209.2
Pretax amortization of deferred financing costs & OID ⁽²⁾	3.1	3.9	29.2	11.5
Pretax loss on debt transactions ⁽³⁾	-	-	93.9	-
Pretax gain on sale of equity investment ⁽³⁾	(2.1)	-	(8.8)	-
Tax effects of adjustments and other tax items ⁽⁴⁾	(45.6)	(17.2)	(117.1)	(41.0)
Non-GAAP net income	\$ 119.5	\$ 60.5	\$ 354.0	\$ 207.9
Diluted EPS, as reported	\$ 0.50	\$ 0.07	\$ 0.99	\$ 0.18
Non-GAAP diluted EPS	\$ 0.62	\$ 0.38	\$ 1.85	\$ 1.32

(1) For the nine months ended September 30, 2014, includes the reduction in the estimated fair value of contingent consideration payable related to the Redwood acquisition.

(2) Included in interest expense.

(3) Included in other income (expense), net.

(4) The tax rates applied to adjustments reflect the tax expense or benefit based on the tax jurisdiction of the entity generating the adjustment. There are certain items for which we expect little or no tax effect.

Note: Components may not sum to total due to rounding.

CommScope management believes that presenting certain non-GAAP financial measures provides meaningful information to investors in understanding operating results and may enhance investors' ability to analyze financial and business trends. Non-GAAP measures are not a substitute for GAAP measures and should be considered together with the GAAP financial measures. As calculated, our non-GAAP measures may not be comparable to other similarly titled measures of other companies. In addition, CommScope management believes that these non-GAAP financial measures allow investors to compare period to period more easily by excluding items that could have a disproportionately negative or positive impact on results in any particular period.

GAAP to Non-GAAP Adjusted Operating Income Reconciliation by Segment

(Unaudited -- In millions)

Third Quarter 2014 Non-GAAP Adjusted Operating Income Reconciliation by Segment

	Wireless	Enterprise	Broadband	Total
Operating income, as reported	\$ 113.8	\$ 25.3	\$ 11.9	\$ 151.0
Amortization of purchased intangible assets	23.2	17.3	4.3	44.8
Restructuring costs, net	5.9	-	1.6	7.4
Equity-based compensation	3.1	1.8	0.7	5.6
Asset impairments	7.0	-	-	7.0
Transaction costs	1.7	0.7	0.3	2.7
Purchase accounting adjustments	0.6	(0.6)	-	-
Non-GAAP adjusted operating income	\$ 155.2	\$ 44.5	\$ 18.8	\$ 218.5
Non-GAAP adjusted operating margin %	24.5%	20.4%	12.6%	21.8%

Second Quarter 2014 Non-GAAP Adjusted Operating Income Reconciliation by Segment

	Wireless	Enterprise	Broadband	Total
Operating income (loss), as reported	\$ 178.9	\$ 30.3	\$ (5.5)	\$ 203.7
Amortization of purchased intangible assets	22.5	17.4	4.4	44.3
Restructuring costs, net	1.6	(0.1)	0.8	2.3
Equity-based compensation	3.6	2.1	0.8	6.5
Asset impairments	-	-	7.2	7.2
Transaction costs	0.6	0.2	0.1	1.0
Purchase accounting adjustments	-	(6.4)	-	(6.4)
Non-GAAP adjusted operating income	\$ 207.2	\$ 43.5	\$ 7.8	\$ 258.5
Non-GAAP adjusted operating margin %	28.6%	19.9%	6.3%	24.2%

Third Quarter 2013 Non-GAAP Adjusted Operating Income Reconciliation by Segment

	Wireless	Enterprise	Broadband	Total
Operating income (loss), as reported	\$ 90.3	\$ 21.7	\$ (12.2)	\$ 99.8
Amortization of purchased intangible assets	22.0	17.4	4.6	44.0
Restructuring costs, net	1.4	0.1	3.5	4.9
Equity-based compensation	1.9	1.2	0.5	3.6
Asset impairments	-	-	7.3	7.3
Transaction costs	0.7	0.2	0.2	1.1
Purchase accounting adjustments	-	1.6	-	1.6
Non-GAAP adjusted operating income	\$ 116.3	\$ 42.1	\$ 3.9	\$ 162.3
Non-GAAP adjusted operating margin %	21.1%	19.9%	3.2%	18.3%

Components may not sum to total due to rounding

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GAAP to Non-GAAP Adjusted Operating Income Reconciliation by Segment

(Unaudited -- In millions)

Nine Months Ended September 30, 2014 Non-GAAP Adjusted Operating Income by Segment

	<u>Wireless</u>	<u>Enterprise</u>	<u>Broadband</u>	<u>Total</u>
Operating income, as reported	\$ 420.3	\$ 78.3	\$ 2.6	\$ 501.2
Amortization of purchased intangible assets	68.1	52.1	13.2	133.4
Restructuring costs, net	8.7	0.1	2.9	11.7
Equity-based compensation	8.8	5.0	2.0	15.7
Asset impairments	7.0	-	7.2	14.2
Transaction costs	2.9	1.2	0.6	4.6
Purchase accounting adjustments	0.6	(12.5)	-	(11.9)
Non-GAAP adjusted operating income	\$ 516.4	\$ 124.1	\$ 28.5	\$ 669.0
Non-GAAP adjusted operating margin	26.0%	19.5%	7.5%	22.3%

Nine Months Ended September 30, 2013 Non-GAAP Adjusted Operating Income by Segment

	<u>Wireless</u>	<u>Enterprise</u>	<u>Broadband</u>	<u>Total</u>
Operating income (loss), as reported	\$ 246.0	\$ 63.7	\$ (40.1)	\$ 269.6
Amortization of purchased intangible assets	66.1	51.0	13.8	130.9
Restructuring costs, net	9.9	0.5	6.0	16.4
Equity-based compensation	6.8	4.1	1.8	12.7
Asset impairments	5.6	-	36.2	41.8
Transaction costs	3.1	1.5	0.8	5.4
Purchase accounting adjustments	-	2.0	-	2.0
Non-GAAP adjusted operating income	\$ 337.5	\$ 122.8	\$ 18.4	\$ 478.8
Non-GAAP adjusted operating margin	20.6%	19.8%	5.0%	18.2%

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Sales by Segment

(Unaudited -- In millions)

	Q3 2014	Q2 2014	Q3 2013	% Change	
				Sequential	YOY
Wireless	\$ 633.0	\$ 724.9	\$ 552.6	(12.7) %	14.5 %
Enterprise	218.0	218.4	212.2	(0.2) %	2.7 %
Broadband	149.5	123.4	124.6	21.2 %	20.0 %
Inter-segment eliminations	(0.1)	(0.4)	(1.4)	n/a	n/a
Total Net Sales	\$ 1,000.4	\$ 1,066.3	\$ 888.0	(6.2) %	12.7 %

Non-GAAP Adjusted Operating Income by Segment

(Unaudited -- In millions)

	Q3 2014	Q2 2014	Q3 2013	% Change	
				Sequential	YOY
Wireless	\$ 155.2	\$ 207.2	\$ 116.3	(25.1) %	33.4 %
Enterprise	44.5	43.5	42.1	2.3 %	5.7 %
Broadband	18.8	7.8	3.9	141.0 %	382.1 %
Total Non-GAAP Adjusted Operating Income	\$ 218.5	\$ 258.5	\$ 162.3	(15.5) %	34.6 %

Components may not sum to total due to rounding

GAAP to Non-GAAP Adjusted Operating Income and Adjusted EBITDA Reconciliation

(Unaudited -- In millions)

	LTM Q3 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Operating income, as reported	\$ 561.4	\$ 151.0	\$ 203.7	\$ 146.5	\$ 60.1	\$ 99.8
Amortization of purchased intangible assets	177.4	44.8	44.3	44.3	44.0	44.0
Restructuring costs, net	17.3	7.4	2.3	2.0	5.7	4.9
Equity-based compensation	19.2	5.6	6.5	3.7	3.5	3.6
Asset impairments	18.0	7.0	7.2	-	3.7	7.3
Transaction costs	26.5	2.7	1.0	0.9	21.9	1.1
Purchase accounting adjustments	(11.4)	-	(6.4)	(5.4)	0.5	1.6
Adjustment of prior year warranty matter	2.1	-	-	-	2.1	-
Non-GAAP adjusted operating income	\$ 810.4	\$ 218.5	\$ 258.5	\$ 192.0	\$ 141.3	\$ 162.3
Non-GAAP adjusted operating margin %	21.1%	21.8%	24.2%	20.5%	16.7%	18.3%
Depreciation	49.9	12.4	12.1	11.7	13.7	14.0
Non-GAAP adjusted EBITDA	\$ 860.3	\$ 230.9	\$ 270.6	\$ 203.7	\$ 155.1	\$ 176.4

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