AVAYA

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Avaya Reports Fourth Quarter and Fiscal 2017 Financial Results

Fourth Quarter Fiscal 2017:

- *Revenue of $790 million*
- *Gross margin 62.7%, non-GAAP gross margin 63.2%,*
- *Operating income of $64 million, non-GAAP operating income of $178 million or 22.5% of revenue*
- *Adjusted EBITDA(1) of $225 million or 28.5% of revenue*
- *Net income of $27 million, non-GAAP net income of $162 million or 20.5% of revenue*
- *Positive cash flow from operations of $166 million for the fourth quarter*

Fiscal Year 2017:

- *Revenue of $3,272 million*
- *Gross margin 61.1%, non-GAAP gross margin 61.7%*
- *Operating income of $137 million, non-GAAP operating income of $669 million or 20.4% of revenue*
- *Adjusted EBITDA(1) of $866 million or 26.5% of revenue,*
- *Net loss of $182 million, non-GAAP net income of $448 million or 13.7% of revenue*
- *Positive cash flow from operations of $291 million for the year*

Santa Clara, Calif., — Dec. 22, 2017 – Avaya Holdings Corp. (OTCQX: AVYA) reported financial results for the fourth quarter and fiscal year ended September 30, 2017.

Total revenue for the fourth quarter was $790 million, down $13 million compared to the prior quarter and down $168 million year-over-year primarily as a result of the sale of the Networking business and lower demand for products and services primarily due to extended procurement cycles resulting from the chapter 11 filing. Fourth quarter 2017 results include $5 million of revenue from the Networking business sold on July 14, 2017. Excluding the impact of the sale of the Networking business, revenue improved approximately 5% from the prior quarter and declined approximately 10% compared to the fourth quarter of fiscal 2016. GAAP gross margin was 62.7% for the fourth quarter. Non-GAAP gross margin was 63.2%, which compares to 61.6% for the prior quarter and 61.8% for the fourth quarter of fiscal 2016. GAAP operating income was $64 million, which compares to a GAAP operating loss of $55 million for the prior quarter, and an operating loss of $425 million for the fourth quarter of fiscal 2016. Non-GAAP operating income was $178 million which compares to $157 million for the prior quarter and $232 million for the fourth quarter of fiscal 2016. GAAP net income was $27 million, which compares to a net loss of $98 million for the prior quarter, and a net loss of $483 million for the fourth quarter of fiscal 2016. Non-GAAP net income was $162 million which compares to $149 million for the prior quarter and $174 million for the fourth quarter of fiscal 2016. For the fourth quarter, adjusted EBITDA(1) was $225 million or 28.5% of revenue, and compares to adjusted EBITDA of $204 million or 25.4% for the prior quarter and $284 million or 29.6% for the fourth quarter of fiscal 2016.

For fiscal 2017, Avaya reported revenue of $3,272 million, down 12% compared to fiscal 2016, or down 11% in constant currency. GAAP gross margin for fiscal 2017 was 61.1%. Non-GAAP gross margin was 61.7%. GAAP operating income was $137 million, reflecting $117 million of impairments of both goodwill and indefinite-lived intangible assets, as well as $30 million of restructuring charges. Non-GAAP operating income was $669 million or 20.4% of revenue in fiscal 2017, which compares to $756 million or 20.4% of revenue in fiscal 2016. GAAP net loss for fiscal 2017 was $182 million which compares to a net loss of $730 million in the prior year. Non-GAAP net income for fiscal 2017 was $448 million, or 13.7% of revenue, which compares to $342 million for fiscal 2016. Fiscal 2017 adjusted EBITDA of $866 million represented 26.5% of revenue, and compares to $940 million for fiscal 2016.

Cash provided by operating activities was $166 million for the fourth fiscal quarter 2017, which compares to $72 million during the third fiscal quarter 2017, and $83 million during the fourth fiscal quarter 2016. Cash provided by operating activities for the fiscal year 2017 was $291 million compared to $113 million for fiscal 2016. Cash and cash equivalents totaled $876 million as of September 30, 2017, an increase of $147 million from the prior quarter and up $540 million from the fourth fiscal quarter of 2016.

“Our fourth quarter and fiscal year 2017 financial results were outstanding given the backdrop of chapter 11,” said Jim Chirico, president and CEO. “The results demonstrate the resilience of our business model, the loyalty of our customers and partners, and the commitment of our employees. They also provide us solid momentum in our emergence as a public company.”

“The reduction of our debt and certain other long-term obligations will improve annual cash flow by approximately $300 million compared to fiscal 2016,” Chirico added. “These savings will enable Avaya to pursue future growth opportunities with a goal of creating long-term value for our new stockholders. We are excited to enter the New Year as a stronger and more competitive company, with new management, innovative products, and an abundance of opportunities ahead of us.”

Fourth Fiscal Quarter Highlights

- Reached a global resolution in chapter 11 restructuring with emergence as a public company
- Announced a new management team including Jim Chirico as Chief Executive Officer
- Signed over 3,600 major customer contracts since filing for chapter 11 through September 30, 2017
- Closed on the sale of the Networking business to Extreme Networks on July 14, 2017
- Company book-to-bill was greater than 1. Total bookings for the fourth fiscal quarter increased 7% from the prior quarter and were 17% below the prior year, in constant currency. Excluding the impact of the sale of the Networking business, total bookings increased 13% sequentially and were 10% lower year-over-year, in constant currency
- Software and services accounted for over 79% of total revenue
- Recurring revenue represented 57% of total revenue, up from 50% year-over-year, in constant currency
- Net Promoter Score of 50 for customer satisfaction driven by industry-leading service and support
- Product revenue of $343 million decreased 1% from the prior quarter and decreased 27% year-over-year, in constant currency. Excluding the impact of the sale of the Networking business, product revenue grew 12% sequentially and was 15% lower year-over-year, in constant currency
- Service revenue of $447 million was down 3% sequentially and decreased 9% year-over-year, each in constant currency. Excluding the impact of the sale of the Networking business, service revenue decreased less than 1% sequentially and was 7% lower year-over-year, in constant currency
- For the fourth fiscal quarter, percentage of revenue by geography was:
    - U.S. – 57%
    - EMEA – 24%
    - Asia-Pacific – 10%
    - Americas International – 9%

Fiscal Year Highlights

- Announced post-emergence board of directors
- Software and services accounted for 78% of total revenue in fiscal 2017, up from 75% for fiscal 2016
- Recurring revenue represented 56% of total revenue for fiscal 2017, up from 51% of revenue for fiscal 2016, in constant currency
- Cloud and managed services and professional services each accounted for >8% of total revenue for fiscal 2017
- Non-GAAP gross margin was 61.7%, compared to 61.5% for fiscal 2016
- Adjusted EBITDA was $866 million or 26.5% of revenue, compared to $940 million or 25.4% of revenue for fiscal 2016
- For the fiscal year, percentage of revenue by geography in was:
    - U.S. – 55%
    - EMEA – 26%
    - Asia-Pacific – 10%
    - Americas International – 9%

Accompanying slides

Links to this financial results press release and accompanying slides are available on the investor page of Avaya's website (https://investors.avaya.com/).

About Avaya

Avaya is a leading global business communications company, providing an expansive portfolio of software and services for contact center and unified communications—offered on premises, in the cloud, or as a hybrid solution. Today's digital world requires communications enablement, and no other company is better positioned to do this than Avaya. For more information, please visit www.avaya.com.

Cautionary Note Regarding Forward-Looking Statements

This document contains certain "forward-looking statements." All statements other than statements of historical fact are "forward-looking" statements for purposes of the U.S. federal and state securities laws. These statements may be identified by the use of forward looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "our vision," "plan," "potential," "preliminary," "predict," "should," "will," or "would" or the negative thereof or other variations thereof or comparable terminology and include, but are not limited to, statements regarding, expected savings and growth opportunities, projections of future opportunities. The Company has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond its control. These factors, including, but not limited to timing of effectiveness of our registration statement, and those risks discussed in the Company's Registration Statement on Form 10, as amended, may cause its actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. For a further list and description of such risks and uncertainties, please refer to the Company's filings with the SEC that are available at www.sec.gov. The Company cautions you that the list of important factors included in the Company's SEC filings may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report may not in fact occur. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

[1] *Refer to Supplemental Financial Information accompanying this press release for a reconciliation of GAAP to non-GAAP numbers and for reconciliation of adjusted EBITDA to net income for the fourth quarter of fiscal 2017.*

Avaya Holdings Corp.
(Debtor-in-possession)
Consolidated Statements of Operations
(Unaudited; in millions, except per share amounts)

	Three months ended September 30,		Fiscal year ended September 30,	
	2017	2016	2017	2016
REVENUE				
Products	$ 343	$ 469	$ 1,437	$ 1,755
Services	447	489	1,835	1,947
	790	958	3,272	3,702
COSTS				
Products:				
Costs	105	169	500	630
Amortization of acquired technology intangible assets	4	8	20	30
Services	186	198	753	797
	295	375	1,273	1,457
GROSS PROFIT	495	583	1,999	2,245
OPERATING EXPENSES				
Selling, general and administrative	341	329	1,282	1,413
Research and development	48	64	229	275
Amortization of acquired intangible assets	34	100	204	100
Impairment of indefinite-lived intangible assets	-	442	65	442
Goodwill impairment	-	56	52	226
Restructuring charges, net	8	17	30	105
	431	1,008	1,862	2,561
OPERATING INCOME (LOSS)	64	(425)	137	(316)
Interest expense	(17)	(118)	(246)	(471)
Other income, net	7	5	9	68
Reorganization costs, net	(21)	-	(98)	-
INCOME (LOSS) BEFORE INCOME TAXES	33	(538)	(198)	(719)
(Provision for) benefit from income taxes	(6)	55	16	(11)
NET INCOME (LOSS)	27	(483)	(182)	(730)
Less: Accretion and accrued dividends on Series A and Series B Preferred Stock	(8)	(7)	(31)	(41)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 19	$ (490)	$ (213)	$ (771)
Basic and diluted earnings per share attributable to common stockholders:				
Net income (loss) per share:				
Basic	$ 0.04	$ (0.98)	$ (0.43)	$ (1.54)
Diluted	$ 0.04	$ (0.98)	$ (0.43)	$ (1.54)
Weighted average shares outstanding:				
Basic	497.2	498.6	497.1	500.7
Diluted	502.5	498.6	497.1	500.7

Avaya Holdings Corp.
(Debtor-in-possession)
Consolidated Balance Sheets
(Unaudited; in millions, except share amounts)

	September 30, 2017	September 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 876	$ 336
Accounts receivable, net	536	584
Inventory	96	153
Other current assets	269	187
TOTAL CURRENT ASSETS	1,777	1,260
Property, plant and equipment, net	200	253
Acquired intangible assets, net	311	617
Goodwill	3,542	3,629
Other assets	68	62
TOTAL ASSETS	**$ 5,898**	**$ 5,821**
LIABILITIES		
Current liabilities:		
Debt maturing within one year	$ 725	$ 6,018
Accounts payable	282	338
Payroll and benefit obligations	127	183
Deferred revenue	614	705
Business restructuring reserve, current portion	35	69
Other current liabilities	90	267
TOTAL CURRENT LIABILITIES	1,873	7,580
Pension obligations	513	1,743
Other postretirement obligations	-	245
Deferred income taxes, net	32	167
Business restructuring reserve, non-current portion	34	65
Other liabilities	170	492
TOTAL NON-CURRENT LIABILITIES	749	2,712
LIABILITIES SUBJECT TO COMPROMISE	7,705	-
Commitments and contingencies		
Equity awards on redeemable shares	7	6
Preferred stock, par value $.001 per share, 250,000 shares authorized at September 30, 2017 and 2016		
Convertible Series B, 48,922 shares issued and outstanding at September 30, 2017 and 2016	393	371
Series A, 125,000 shares issued and outstanding at September 30, 2017 and 2016	184	175
STOCKHOLDER'S DEFICIENCY		
Common stock	-	-
Additional paid-in capital	2,389	2,410
Accumulated deficit	(5,954)	(5,772)
Accumulated other comprehensive loss	(1,448)	(1,661)
TOTAL STOCKHOLDER'S DEFICIENCY	(5,013)	(5,023)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIENCY	**$ 5,898**	**$ 5,821**

Avaya Holdings Corp.
(Debtor-in-possession)
Condensed Statements of Cash Flows
(Unaudited; in millions)

	Fiscal year ended September 30, 2017	Fiscal year ended September 30, 2016
Net cash (used for) provided by:		
Net loss	$ (182)	$ (730)
Adjustments to net loss for non-cash items	518	829
Changes in operating assets and liabilities	(45)	14
Operating activities	291	113
Investing activities	(70)	(100)
Financing activities	314	9
Effect of exchange rate changes on cash and cash equivalents	5	(9)
Net increase in cash and cash equivalents	540	13
Cash and cash equivalents at beginning of period	336	323
Cash and cash equivalents at end of period	$ 876	$ 336

Avaya Holdings Corp.
(Debtor-in-possession)
Supplemental Schedules of Revenue
(Unaudited; in millions)

Three Months Ended Dec. 31, 2016	Three Months Ended Mar. 31, 2017	Three Months Ended June 30, 2017		Three Months Ended September 30, Revenues 2017	Revenues 2016	Mix 2017	Mix 2016	Change Amount	Change Pct.	Change Pct., net of FX impact
			Revenue by Segment							
$ 346	$ 309	$ 302	GCS	$ 340	$ 392	43%	41%	$ (52)	-13%	-15%
55	39	43	Networking [1]	3	77	0%	8%	(74)	-96%	-96%
401	348	345	Total ECS product revenue	343	469	43%	49%	(126)	-27%	-27%
474	456	458	AGS	447	489	57%	51%	(42)	-9%	-9%
$ 875	$ 804	$ 803	Total revenue	$ 790	$ 958	100%	100%	$ (168)	-18%	-18%
			Revenue by Geography							
$ 466	$ 450	$ 435	U.S.	$ 447	$ 552	57%	58%	$ (105)	-19%	-19%
			International:							
234	202	204	EMEA	194	217	24%	22%	(23)	-11%	-13%
90	77	88	APAC - Asia Pacific	79	104	10%	11%	(25)	-24%	-24%
85	75	76	Americas International - Canada and Latin America	70	85	9%	9%	(15)	-18%	-19%
409	354	368	Total International	343	406	43%	42%	(63)	-16%	-17%
$ 875	$ 804	$ 803	Total revenue	$ 790	$ 958	100%	100%	$ (168)	-18%	-18%

[1] Networking business was sold on July 14, 2017, therefore, the Company recognized no revenue after the date of sale

Use of non-GAAP (Adjusted) Financial Measures

The information furnished in this release includes non-GAAP financial measures that differ from measures calculated in accordance with generally accepted accounting principles in the United States of America (“GAAP”), including adjusted EBITDA.

EBITDA is defined as net income (loss) before income taxes, interest expense, interest income and depreciation and amortization. Adjusted EBITDA is EBITDA further adjusted to exclude certain charges and other adjustments described in our SEC filings.

We believe that including supplementary information concerning adjusted EBITDA is appropriate because it serves as a basis for determining management and employee compensation. In addition, we believe adjusted EBITDA provides more comparability between our historical results and results that reflect purchase accounting and our current capital structure. Accordingly, adjusted EBITDA measures our financial performance based on operational factors that management can impact in the short-term, such as our pricing strategies, volume, costs and expenses of the organization and it presents our financial performance in a way that can be more easily compared to prior quarters or fiscal years.

EBITDA and adjusted EBITDA have limitations as analytical tools. EBITDA measures do not represent net income (loss) or cash flow from operations as those terms are defined by GAAP and do not necessarily indicate whether cash flows will be sufficient to fund cash needs. While EBITDA measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Adjusted EBITDA excludes the impact of earnings or charges resulting from matters that we consider not to be indicative of our ongoing operations. In particular, our formulation of adjusted EBITDA allows adjustment for certain amounts that are included in calculating net income (loss) including, but not limited to reorganization, restructuring and impairment charges, certain fees payable to our private equity sponsors and other advisors, resolution of certain legal matters and a portion of our pension costs and post-employment benefits costs which represents the amortization of pension service costs and actuarial gain (loss) associated with these benefits. However, these are expenses that may recur, may vary and are difficult to predict.

The estimate of adjusted EBITDA provided in this press release has been determined consistent with the methodology for calculating adjusted EBITDA as set forth in Avaya Holdings Corp. Form 10 for the fiscal year end September 30, 2017.

These non-GAAP measures are not based on any comprehensive set of accounting rules or principles and have limitations as analytical tools in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP. As such, these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures.

The following tables reconcile GAAP measures to non-GAAP measures:

Avaya Holdings Corp.
(Debtor-in-possession)
Supplemental Schedule of Non-GAAP Adjusted EBITDA
(Unaudited; in millions)

	Three months ended September 30,		Fiscal year ended September 30,	
	2017	2016	2017	2016
Net income (loss)	$ 27	$ (483)	$ (182)	$ (730)
Interest expense	17	118	246	471
Interest income	(2)	-	(4)	(1)
Provision for (benefit from) income taxes	6	(55)	(16)	11
Depreciation and amortization	63	97	326	374
EBITDA	111	(323)	370	125
Restructuring charges, net	8	17	30	105
Sponsor and other advisory fees	3	28	85	43
Integration-related costs	-	-	1	2
Third-party sales transformation costs	-	-	-	5
Reorganization items, net	21	-	98	-
Share-based and other compensation	1	7	11	19
Loss on disposal of long-lived assets, net	-	1	-	1
Gain on sale of Networking business	(2)	-	(2)	-
Impairment of indefinite-lived intangible assets	-	100	65	100
Goodwill impairment	-	442	52	442
Impairment of long-lived asset	-	-	3	-
Loss on equity investment	-	11	-	11
Change in fair value of Preferred B embedded derivative	-	(17)	-	(73)
Securities registration fees	-	-	-	1
Costs in connection with certain legal matters	64	-	64	106
Foreign currency gains, net	(1)	-	(2)	(10)
Pension/OPEB/nonretirement postemployment benefits and long-term disability costs	20	18	90	63
Other	-	-	1	-
Adjusted EBITDA	$ 225	$ 284	$ 866	$ 940

Avaya Holdings Corp.
(Debtor-in-possession)
Supplemental Schedules of Non-GAAP Reconciliations
(Unaudited; in millions)

	Three Months Ended				
	Sept. 30, 2016	**Dec. 31, 2016**	**Mar. 31 2017**	**June 30 2017**	**Sept. 30 2017**
Reconciliation of Non-GAAP Gross Profit and Non-GAAP Gross Margin					
Gross Profit	$ 583	$ 533	$ 481	$ 490	$ 495
Gross Margin	60.9%	60.9%	59.8%	61.0%	62.7%
Items excluded:					
Amortization of acquired technology intangible assets	8	5	6	5	4
Share-based compensation	1	-	-	-	-
Non-GAAP Gross Profit	$ 592	$ 538	$ 487	$ 495	$ 499
Non-GAAP Gross Margin	61.8%	61.5%	60.6%	61.6%	63.2%
Reconciliation of Non-GAAP Operating Income					
Operating (Loss) Income	$ (425)	$ 64	$ 64	$ (55)	$ 64
Percentage of Revenue	-44.4%	7.3%	8.0%	-6.8%	8.1%
Items excluded:					
Amortization of acquired intangible assets	64	62	62	62	38
Restructuring charges, net	17	10	4	8	8
Impairment charges	542	-	-	120	-
Advisory fees	27	48	14	18	3
Share-based compensation	7	2	4	4	1
Costs in connection with certain legal matters	-	-	-	-	64
Non-GAAP Operating Income	$ 232	$ 186	$ 148	$ 157	$ 178
Non-GAAP Operating Margin	24.2%	21.3%	18.4%	19.6%	22.5%

Avaya Holdings Corp.
(Debtor-in-possession)
Supplemental Schedules of Non-GAAP Reconciliation of Gross Profit and Gross Margin by Portfolio
(Unaudited; in millions)

	Three Months Ended				
	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sept. 30, 2017
Reconciliation of Non-GAAP Gross Profit and Non-GAAP Gross Margin - Products					
Revenue	$ 469	$ 401	$ 348	$ 345	$ 343
Costs	169	146	127	122	105
Amortization of acquired technology intangible assets	8	5	6	5	4
GAAP Gross Profit	292	250	215	218	234
GAAP Gross Margin	62.3%	62.3%	61.8%	63.2%	68.2%
Items excluded:					
Amortization of acquired technology intangible assets	8	5	6	5	4
Non-GAAP Gross Profit	$ 300	$ 255	$ 221	$ 223	$ 238
Non-GAAP Gross Margin	64.0%	63.6%	63.5%	64.6%	69.4%
Reconciliation of Non-GAAP Gross Profit and Non-GAAP Gross Margin - Services					
Revenue	$ 489	$ 474	$ 456	$ 458	$ 447
Costs	198	191	190	186	186
GAAP Gross Profit	291	283	266	272	261
GAAP Gross Margin	59.5%	59.7%	58.3%	59.4%	58.4%
Items excluded:					
Share-based and other compensation	1	-	-	-	-
Non-GAAP Gross Profit	$ 292	$ 283	$ 266	$ 272	$ 261
Non-GAAP Gross Margin	59.7%	59.7%	58.3%	59.4%	58.4%

Avaya Holdings Corp.
(Debtor-in-possession)
Reconciliation of GAAP to Non-GAAP results
Three months ended September 30, 2017
(Unaudited; in millions)

	GAAP Results	Amortization of Intangible Assets	Restructuring Charges, net	Reorganization Items	Share-based and Other Comp	Costs in Connection with Certain Legal Matters	Advisory Fees	Non-GAAP Results	Q416 GAAP Results	Q416 Non-GAAP Results
Revenue										
Products	$ 343	$ -	$ -	$ -	$ -	$ -	$ -	$ 343	$ 469	$ 469
Services	447							447	489	489
	790	-	-	-	-	-	-	790	958	958
Costs										
Products:										
Costs	105					-		105	169	169
Amortization of acquired technology intangible assets	4	(4)						-	8	-
Services	186			-	-	-	-	186	198	197
	295	(4)	-	-	-	-	-	291	375	366
GROSS PROFIT	495	4	-	-	-	-	-	499	583	592
OPERATING EXPENSES										
Selling, general and administrative	341				(1)	(64)	(3)	273	329	296
Research and development	48							48	64	64
Amortization of acquired intangible assets	34	(34)						-	56	-
Impairment of indefinite-lived intangible assets	-							-	100	-
Goodwill impairment	-							-	442	-
Restructuring charges, net	8		(8)					-	17	-
	431	(34)	(8)	-	(1)	(64)	(3)	321	1,008	360
OPERATING INCOME (LOSS)	64	38	8	-	1	64	3	178	(425)	232
Interest expense	(17)							(17)	(118)	(118)
Other income, net	7							7	5	5
Reorganization items, net	(21)			21				-	-	-
INCOME (LOSS) BEFORE INCOME TAXES	33	38	8	21	1	64	3	168	(538)	119
(Provision for) benefit from income taxes	(6)							(6)	55	55
NET INCOME (LOSS)	27	38	8	21	1	64	3	162	(483)	174
Less: Accretion and accrued dividends on Series A and Series B Preferred Stock	(8)	-	-	-	-	-	-	(8)	(7)	(7)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 19	$ 38	$ 8	$ 21	$ 1	$ 64	$ 3	$ 154	$ (490)	$ 167

Avaya Holdings Corp.
(Debtor-in-possession)
Reconciliation of GAAP to Non-GAAP results
Fiscal year ended September 30, 2017
(Unaudited; in millions)

	GAAP Results	Amortization of Intangible Assets	Restructuring Charges, net	Impairment Charges	Reorganization Items	Share-based and Other Comp	Costs in Connection with Certain Legal Matters	Advisory Fees	Non-GAAP Results	Q416 YTD GAAP Results	Q416 YTD Non-GAAP Results
Revenue											
Products	$ 1,437	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,437	$ 1,755	$ 1,755
Services	1,835	-	-	-	-	-	-	-	1,835	1,947	1,947
	3,272	-	-	-	-	-	-	-	3,272	3,702	3,702
Costs											
Products:											
Costs	500	-	-	-	-	-	-	-	500	630	629
Amortization of acquired technology intangible assets	20	(20)	-	-	-	-	-	-	-	30	-
Services	753	-	-	-	-	-	-	-	753	797	795
	1,273	(20)	-	-	-	-	-	-	1,253	1,457	1,424
GROSS PROFIT	1,999	20	-	-	-	-	-	-	2,019	2,245	2,278
OPERATING EXPENSES											
Selling, general and administrative	1,282	-	-	(3)	-	(11)	(64)	(83)	1,121	1,413	1,249
Research and development	229	-	-	-	-	-	-	-	229	275	273
Amortization of acquired intangible assets	204	(204)	-	-	-	-	-	-	-	226	-
Impairment of indefinite-lived intangible assets	65	-	-	(65)	-	-	-	-	-	100	-
Goodwill impairment	52	-	-	(52)	-	-	-	-	-	442	-
Restructuring charges, net	30	-	(30)	-	-	-	-	-	-	105	-
	1,862	(204)	(30)	(120)	-	(11)	(64)	(83)	1,350	2,561	1,522
OPERATING INCOME (LOSS)	137	224	30	120	-	11	64	83	669	(316)	756
Interest expense	(246)	-	-	-	-	-	-	-	(246)	(471)	(471)
Other income, net	9	-	-	-	-	-	-	-	9	68	68
Reorganization items, net	(98)	-	-	-	98	-	-	-	-	-	-
(LOSS) INCOME BEFORE INCOME TAXES	(198)	224	30	120	98	11	64	83	432	(719)	353
Benefit from (provision for) income taxes	16	-	-	-	-	-	-	-	16	(11)	(11)
NET (LOSS) INCOME	(182)	224	30	120	98	11	64	83	448	(730)	342
Less: Accretion and accrued dividends on Series A and Series B Preferred Stock	(31)	-	-	-	-	-	-	-	(31)	(41)	(41)
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (213)	$ 224	$ 30	$ 120	$ 98	$ 11	$ 64	$ 83	$ 417	$ (771)	$ 301

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