

# Avaya Financial Position

## January 2010

### Avaya is strong and stable going into 2010

**Key financial indicators remain strong, and management is actively engaged.**

Moody's credit agency has noted that Avaya's management team has made significant strides in improving operating margins, working capital turns and the supply chain since Avaya went private in 2007, and our private equity owners remain actively engaged in the business.

### Adding Nortel Enterprise Solutions (NES) increases our market opportunity

**Stronger Position:** The combination of Avaya and NES strengthens Avaya's leadership position in business communications and together the combined company boasts some 1.5 million customers supporting almost 100 million lines and 10,000 channel partners around the globe.

**Accelerated Innovation:** We will use our own business improvement program and streamline the NES business we acquired. Integration execution has already started, and Avaya is providing certainty to the market with a combined roadmap rolled out on Jan. 19, 2010, within a month of close, and with potential technology innovations already identified.

**Increased Transparency:** Avaya has filed a registration statement for certain of our debt and as a result we'll begin making many of the same filings with the U.S. Securities and Exchange Commission as our public company counterparts.

**Limited Liability:** The Nortel transaction was an asset purchase except for the US government solutions business. Most pre-acquisition liabilities of Nortel were not assumed by Avaya.

### Facts about the Figures/Do the Math

**Apples-to-apples comparison.** As of September 30, 2009, Avaya's cash balance was \$567 million, a two-year high. This represents more than ten quarters of interest payments based on Avaya's current level of indebtedness. Avaya has run a cash balance average in excess of US\$450 million for the past 5 years.

**We have manageable debt repayments.** The debt we incurred to purchase NES only requires payments of 1 percent per year – which amounts to US\$10M per year over what we were paying prior to the acquisition.

**We continue to generate cash.** Although Avaya has higher debt following the NES acquisition, we have been generating cash flows from operations over and above the interest and principal payments on our existing debt and expect to continue to do so. The NES acquisition is expected to help, not hinder, that process.

**Our debt level remains conservative.** Debt levels are projected to improve as a result of increases in EBITDA and debt repayments. A common private equity range of debt is 5 times – 7 times earnings. "Leveraged" deals run 7x-9x. We're expecting to be at 3.4 times earnings by 2013.

**We still have room to maneuver.** The original Avaya debt, as with the recent NES deal, was done under favorable terms for Avaya, with no financial maintenance and manageable combined annual debt servicing. The debt raised for the NES acquisition was committed to from outside investors and limited partners. Therefore, any rating agency opinions or changes have no effect on the pricing or interest of that debt.

## Forward-Looking Statements

Certain statements contained in this document are forward looking statements. These statements may be identified by the use of forward looking terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “should” or “will” or other similar terminology. We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe 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 our control. These and other important factors may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include: our ability to develop and sell advanced communications products and services, including unified communications and contact center solutions; our ability

to develop our indirect sales channel; economic conditions and the willingness of enterprises to make capital investments; the market for advanced communications products and services, including unified communications solutions; our ability to remain competitive in the markets we serve; our ability to manage our supply chain and logistics functions; the ability to protect our intellectual property and avoid claims of infringement; our ability to effectively integrate acquired businesses, including Nortel Enterprise Solutions, into ours; our ability to maintain adequate security over our information systems; environmental, health and safety laws, regulations, costs and other liabilities; the ability to retain and attract key employees; risks relating to the transaction of business internationally; pension and post-retirement healthcare and life insurance liabilities; and liquidity and our access to capital markets. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

## About Avaya

Avaya is a global leader in enterprise communications systems. The company provides unified communications, contact centers, and related services directly and through its channel partners to leading businesses and organizations around the world. Enterprises of all sizes depend on Avaya for state-of-the-art communications that improve efficiency, collaboration, customer service and competitiveness. For more information please visit [www.avaya.com](http://www.avaya.com).

The Avaya logo consists of the word "AVAYA" in a bold, red, sans-serif font. The letters are closely spaced, and the 'A's and 'Y's have a distinctive shape.

INTELLIGENT COMMUNICATIONS

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The Avaya.com logo features the text "avaya.com" in a white, lowercase, sans-serif font, centered within a solid red rectangular background.