

Business Overview

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President & CEO

Lucent Technologies
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Lucent Technologies
Bell Labs Innovations

Key Takeaways

- We are making good progress on the path to profitability
- We have transformed the company in many ways to align with changing market conditions while improving customer satisfaction
  - Operating model
  - Consolidated operations
  - Supply chain overhaul
- We are leveraging our unique combination of strengths to deliver value to customers and distinguish ourselves from competition
  - Customer relationships and embedded base
  - Complex network know-how – wireline and wireless
  - Strong portfolio and technology base
  - Worldwide multi-vendor services capability
- We have extended strategy to increase focus on services.
- Selective partnerships will play a role in executing our strategy and extending our reach

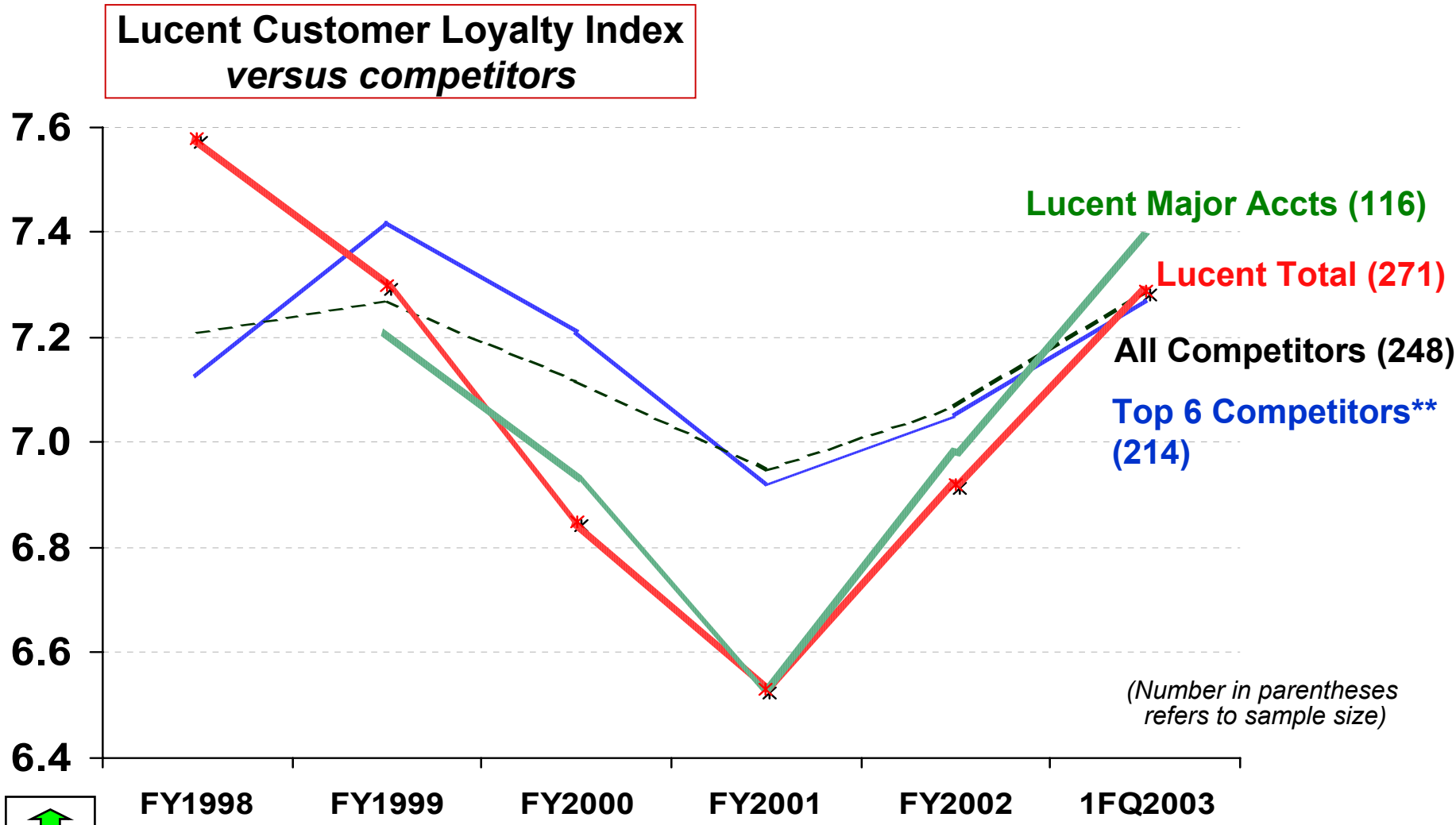
We Have Transformed Lucent To Ensure Alignment With Changing Market Conditions

- Made fundamental changes in our operating model
  - Consolidated operations
  - Made dramatic improvements in our supply chain
  - Significantly improved our cost and capital structure
  - Improved customer satisfaction
- Rationalized and retained an industry-leading product portfolio
- Intensified our focus on services … as a matter of strategy
- Increased focus on partnerships
- Continue to invest in research

Fundamental Changes In Operating Processes Are Improving The Business

- An important aspect of our strategy has been to reduce costs – thereby improving gross margins – while improving customer service levels
- Overhauling our entire supply chain has been a key priority
  - Reduced number of suppliers 50%
  - Reduced 500 warehouses to 50
  - Went from 16 repair centers to one
  - Consolidated three organizations into single customer delivery team
  - Contract manufacturing
- Simultaneously, our customer delivery performance has improved
  - On time delivery improved from 80% to 96% over the last year
  - Customer feedback last quarter was best in two years

Customer Survey Trends



In FY1998, Lucent was BIC.

** Top 6 1FQ2003 Competitors: Samsung, Cisco, Alcatel, Ericsson, Nortel Networks and Siemens

We Intend To Be A World-Class Supplier Of Networking Solutions For Service Providers

We are focused on leveraging our strengths to support our customers' needs

- Our embedded base and longstanding customer relationships
- Our understanding of wireline and wireless networks and how to evolve them
- Our technology base and Bell Labs expertise, plus our portfolio that includes industry-leading products
- Our worldwide, multi-vendor services capability

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The Reality Of The Needs Of Service Providers

- **Need to generate profitable new revenue streams and retain customers**

More revenue.
More services.
More data.
More speed.



- **Need to maximize use of available capital while driving down operating expense**
- **Security and reliability required for both**

Less cost.
Less time.
Less space.
Less complex.

We're Winning Business Worldwide

In Q1-FY03 we signed 20 new contracts worth over $1.5 billion



















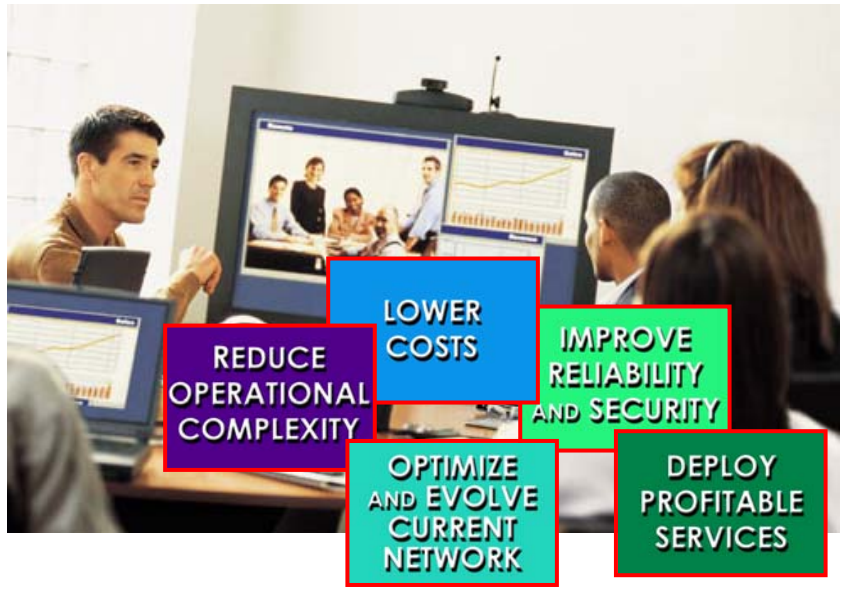




What Lucent Brings To The Table For Our Customers

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- We know networks



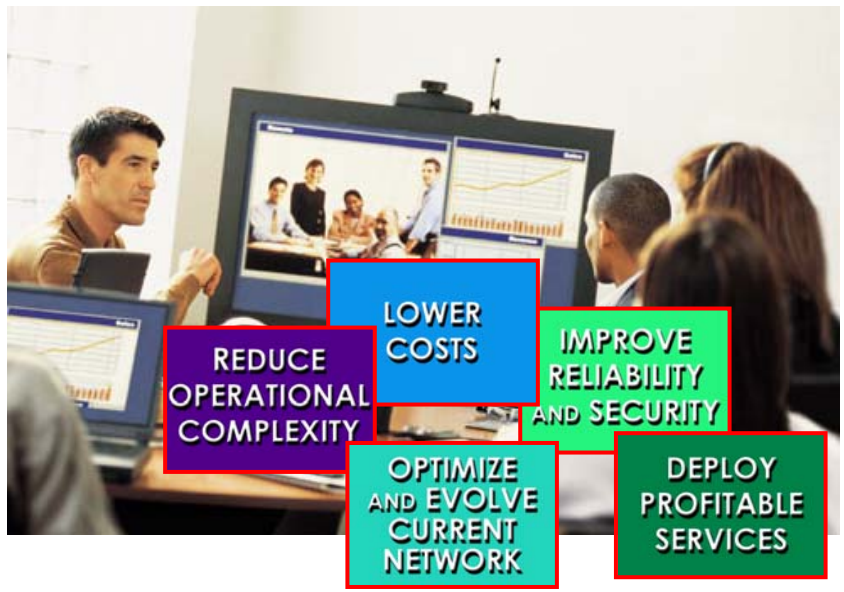
We Know Networks

- Complex networks, multiple technologies and multi-vendor environments are difficult and costly to operate
- With over 100 years of carrier-grade experience to draw on, Lucent has the deepest capability and commitment to service in the industry
- Lucent has become the industry leader in deploying today's multi-vendor networks
- Security and reliability safeguards cut across our portfolio of products, software and services – based on unique Bell Labs expertise



What Lucent Brings To The Table For Our Customers

- We know networks
- **The industry's most extensive services capability – powered by systems expertise and software tools from Bell Labs**



Industry's Most Extensive Services Capability

- Service providers spend more than $3 billion every week on various network services, including work they do themselves as well as contract out
- Lucent is increasing its focus on services to step up to this major opportunity with a focus on:
  - Deployment: Including engineering and installation, site acquisition and plant construction
  - Maintenance: Field capabilities globally with world-class telephone support and remote technical support
  - Professional services: The right people with the right tools and resources to plan, design, integrate and optimize networks
  - Outsourcing: In over 40 cases worldwide, Lucent has taken over network operations and maintenance for service providers on an outsourced basis
- Expertise in multi-vendor networking solutions



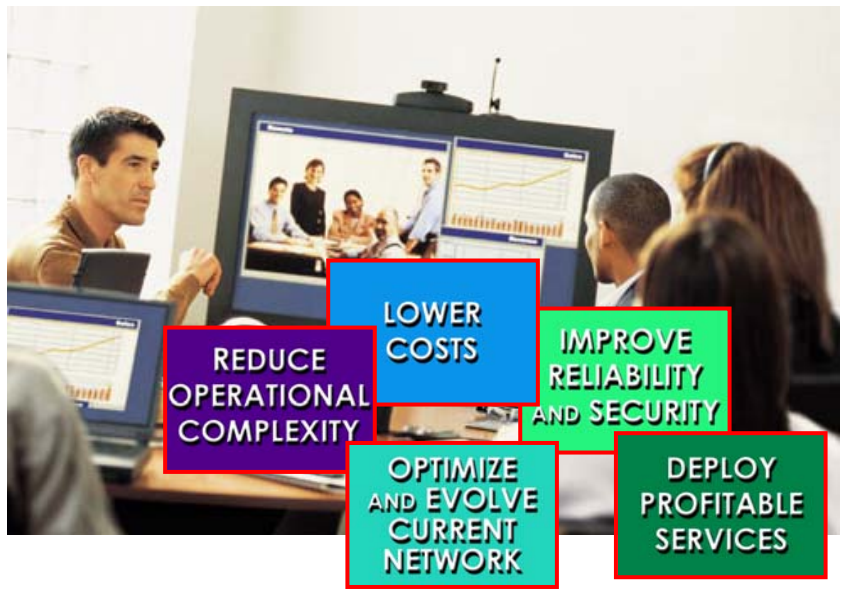
Expertise In Multi-Vendor Network Solutions

- Lucent will provide in-field network integration in order to deliver complete solutions to service provider customers
- Currently, more than one-third of our installation work is integrating multi-vendor solutions
- Our agreement with Cisco will accelerate our customers' ability to tap into the new revenue streams with high-speed mobile data
  - Lucent Worldwide Services (LWS) will provide deployment, engineering, support and maintenance
  - Lucent also will offer consulting and network design services and will be qualified as a global systems integrator for Cisco



What Lucent Brings To The Table For Our Customers

- We know networks
- The industry's most extensive services capability – powered by systems expertise and software tools from Bell Labs
- **Ability to leverage and evolve service providers' existing network investments**

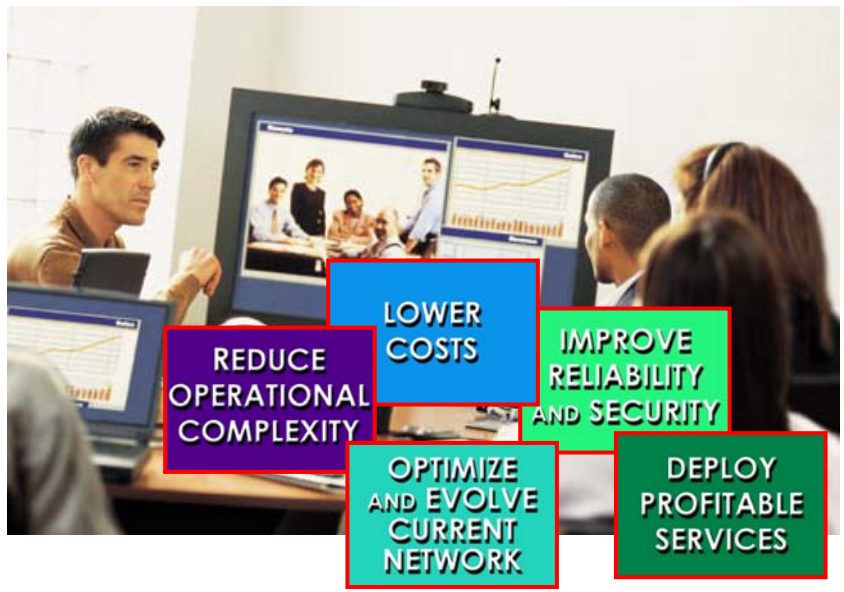


Ability To Leverage/Evolve Existing Network Investments

- In wireline, we're helping service providers leverage their existing investments in:
  - Circuit Switched Networks: New 5E-XC triples capacity, optimizes tandem access network; Optical Interface Unit provides evolution to IP transport
  - Optical Networks: Metropolis portfolio adds Ethernet and other data services to SONET/SDH voice networks
  - Packet Networks: New software for multiservice switches supports current FR and ATM services, plus IP Centrex; will add MPLS capabilities to ATM networks
- In mobility, we're driving the evolution of current wireless networks from time division to spread-spectrum technology
  - We provide the lowest cost voice and high-speed data services using common platforms - OneBTS cdma2000 and UMTS
- Through LWS, we can leverage a service provider's existing investment with a set of unique professional services

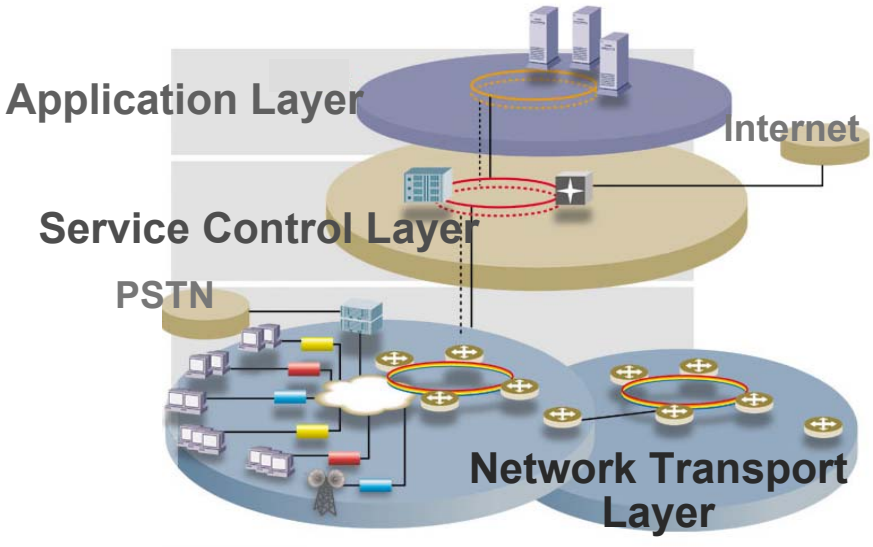
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- **A network vision of how to drive new revenues, while reducing complexity and cost**



A Network Vision Of How To Drive New Revenues, While Reducing Complexity And Cost

Service Intelligent™ Architecture



BENEFITS

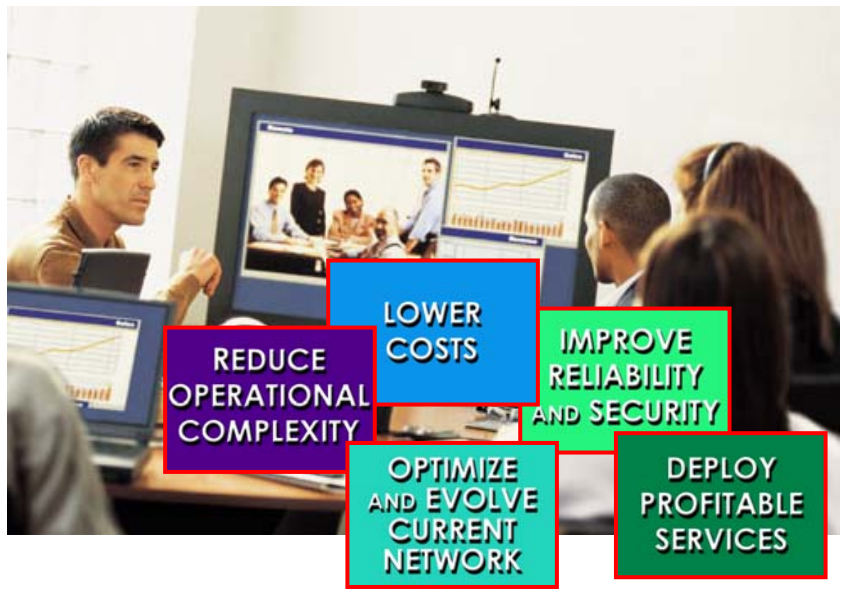
- Service-ready networking
- Rapid, seamless provisioning
- Self-care
- Lowest cost-per-bit

FEATURES

- Automatic and dynamic allocation of network resources
- Service quality based network operations
- End-to-end automated service creation
- Proactive trend monitoring
- Open, programmable service creation interfaces
- Highly reliable, secure and scalable network elements

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- A network vision of how to drive new revenues, while reducing complexity and cost
- **Industry-leading offerings in optical, packet and circuit switching, and network operations software – designed by Bell Labs**

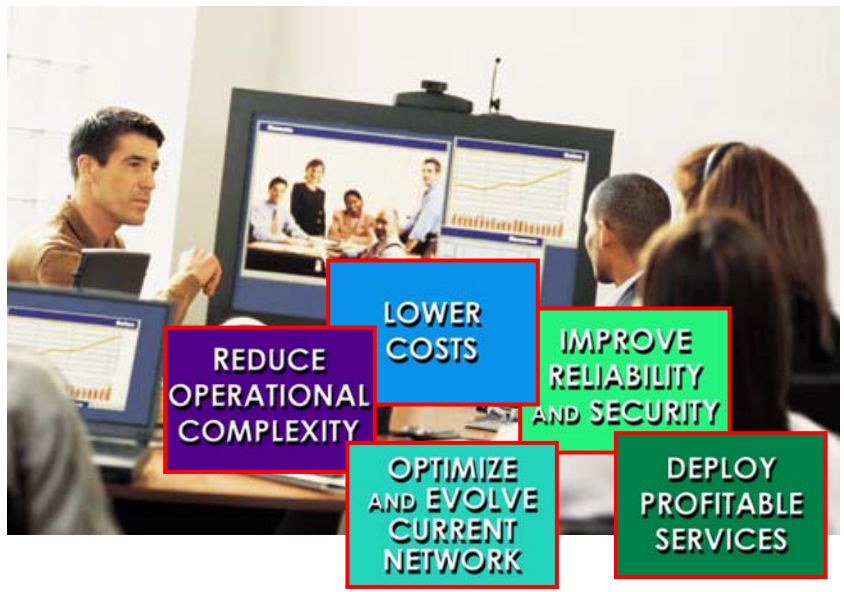


Industry-Leading Offerings In Optical, Packet And Circuit Switching, And Network Operations Software

- We have updated our industry-leading optical networking portfolio, from core to edge
- We're leveraging current network investments with convergence solutions for the 5ESS® plus EXS CSP, iMerge and Softswitch
- In GX 550, CBX 500 and PSAX we have a strong set of multiservice core and edge switches
- APX, MAX TNT and MAX are the industry's leading dial access platforms
- Stinger DSLAM portfolio supports IP Video, Voice over DSL services with IP or ATM deployment
- Navis iOperations software provides multi-vendor management for legacy and next-generation networks and services

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- **Leadership in spread-spectrum wireless solutions with the most experience and expertise building 3G networks**



Leadership In Spread-Spectrum Wireless Networks With Extensive Experience In 3G

- We're building on our expertise in spread-spectrum to become global leader in 3G networks – of the 70,000 CDMA base stations we've deployed, 35,000 are 3G capable
- We're helping diversify mobile operators' revenue base by introducing high-speed mobile data services – increasing revenue from existing customers, attracting new customers and focusing on enterprises
- Our offerings are focused on deploying profitable new services
  - Leveraging partnerships
  - Enabling simplified end user provisioning
  - Delivering security and service transparency
  - Providing complete solutions (device to application)

Executing Our Strategy

- Continuing to improve our gross margin, both by controlling costs and selling value
- Emphasizing customer focus and our passion for helping them to succeed
- Strengthening our ability to offer globally-deployed, multi-vendor solutions
- Increasing cooperation with partners to deliver complete solutions



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