Headquartered in Murray Hill, N.J., USA, Lucent designs and delivers networks for the world's largest communications service providers. Backed by the research and development of Bell Labs, Lucent relies on its strengths in mobility, optical, data and voice networking technologies as well as software and services to develop next-generation networks. The company's systems, services and software are designed to help customers quickly deploy and better manage their networks and create new revenue-generating services that help businesses and consumers.

2002 FINANCIAL HIGHLIGHTS

(Dollars in Millions, Except Per Share Amounts; Unaudited)	*Year Ended September 30,* 2002	*Year Ended September 30,* 2001	Change
RESULTS OF OPERATIONS			
Revenues	$ 12,321	$ 21,294	(42.1%)
Gross margin[a]	1,552	2,058	(24.6%)
Selling, general and administrative	3,969	7,410	(46.4%)
Research and development	2,310	3,520	(34.4%)
Net business restructuring charges and asset impairments	2,252	10,157	(77.8%)
Operating loss	(6,979)	(19,029)	(63.3%)
Provision (benefit) for income taxes	4,757[b]	(5,734)	(183.0%)
Loss from continuing operations	(11,826)	(14,170)	(16.5%)
Loss per common share from continuing operations	$ (3.51)	$ (4.18)	(16.0%)
FINANCIAL POSITION			
Cash, cash equivalents and short-term investments	$ 4,420	$ 2,390	84.9%
Total assets	17,791	33,664	(47.2%)
Total debt	5,106[c]	4,409	15.8%
8% redeemable convertible preferred stock	1,680	1,834	(8.4%)
Shareowners' (deficit) equity	(4,734)[d]	11,023	(142.9%)
OTHER INFORMATION			
Net cash used in operating activities from continuing operations	$ (756)	$ (3,421)	(77.9%)
Capital expenditures	449	1,390	(67.7%)
Stock price	$ 0.76	$ 5.73	(86.7%)

(a) Gross margin for the years ended September 30, 2002 and 2001, includes net business restructuring charges related to inventory write-downs of $64 and $1,259, respectively.

(b) Includes a full valuation allowance on the company's net deferred tax assets as of September 30, 2002.

(c) Includes company-obligated 7.75% mandatorily redeemable convertible preferred securities of subsidiary trust of $1,750.

(d) Shareowners' (deficit) equity includes a non-cash charge of $2,927 related to the minimum liability adjustment for the management pension plan.