Prudential Technology Conference
Lucent Business Update

Pat Russo
Chairman & CEO

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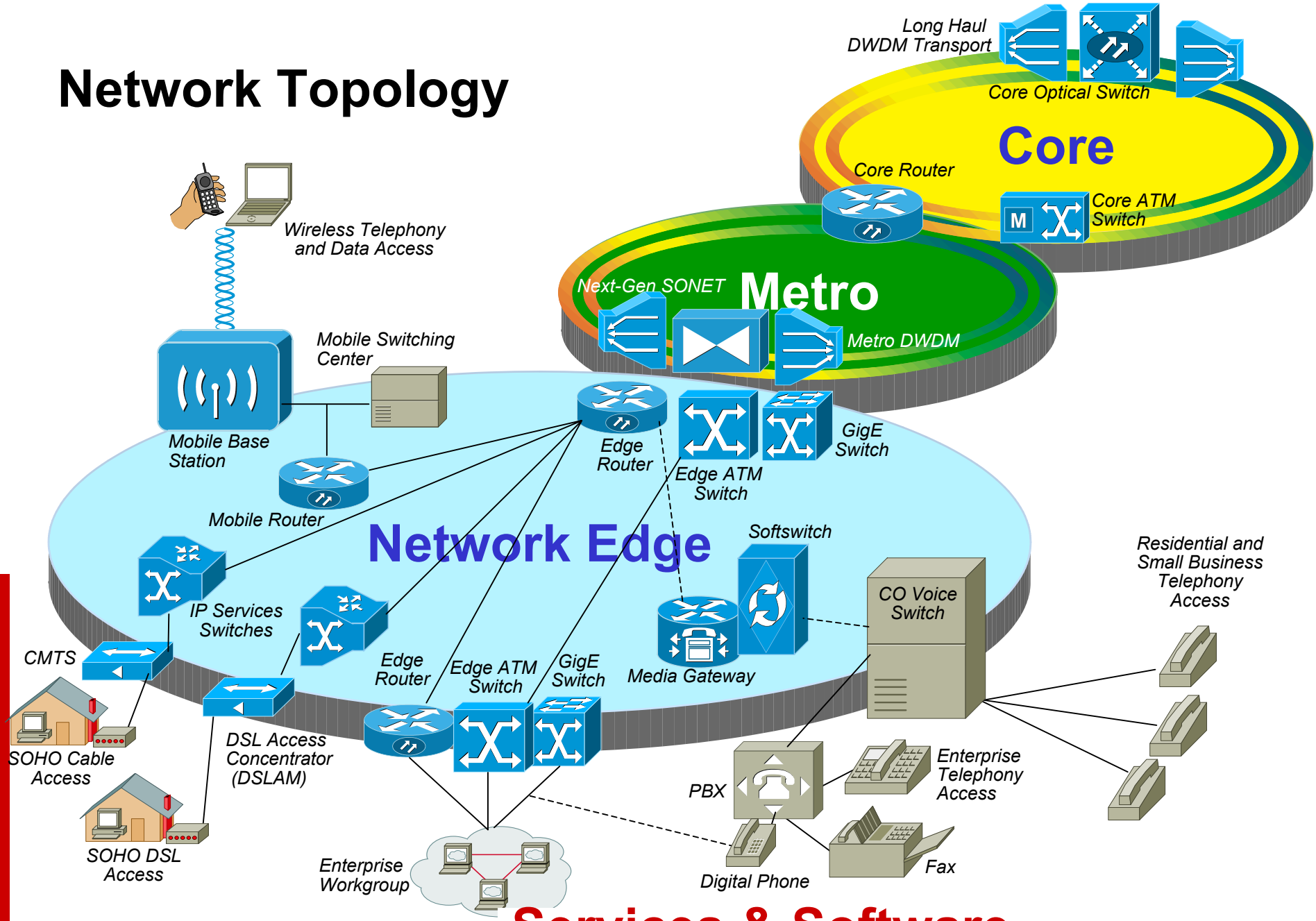
Lucent Technologies
Bell Labs Innovations



Financial Review

- Reported a profit in Q4-FY2003
  - Revenue up 3% sequentially
  - Gross margin increased to 43%; up 14 points vs. 3Q03 and 18 points year over year
  - EPS up $0.09 sequentially to $0.02 per share
- Improved operating and capital structure
  - Restructuring efforts essentially complete
    - Achieved target headcount; 34,500 employees at September 30th
    - Continued expense reduction; OPEX down $318 million in Q403, decreased about $5.6 billion year over year (including significant-items)
  - Reduced annual fixed charges; repurchased/retired debt and convertible securities of $500 million during Q403, over $2 billion since Q402
- Outlook
  - Signs of stability in the overall telecom market but challenges remain
  - Anticipate revenues to remain essentially flat, or increase slightly, in fiscal 2004
  - Expect to achieve sustainable profitability sometime in 2004 with a gross margin of about 35%

Network Topology



Services & Software

2003 Announced Lucent Contract Awards

	Optical			Switching		Data	Access		Software		Wireless			Services	
	Switch/X-Connect	LH/ULH	Metro	Voice	C2P/ VoIP	MSS/IP	DSLAM	NG-DLC	Apps	OSS	CDMA 2000	UMTS/ W-CDMA	Core	Managed	Prof'l.
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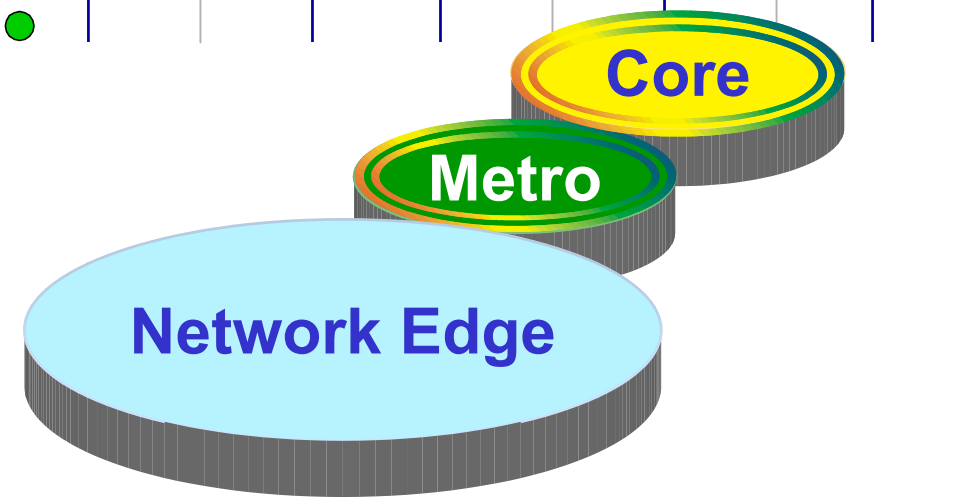

Services & Software

Pockets Of Opportunity

- Metro optical networks
- Next-generation voice-over IP (VoIP)
- Broadband access
- High-speed wireless data
- Services
- Government





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