Lucent Worldwide Services: Gaining Traction to Become the Leading Network Integrator





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Lucent Technologies
Bell Labs Innovations

Forward-Looking Statement Disclosure

This presentation includes some forward-looking statements about our expectations for our future performance. Actual results could differ materially from those suggested by my comments today. Additional information about factors that could affect future results are addressed in our SEC filings, including our Form 10-K, 10-Q, and 8-Ks.

Fiscal Q4 Results Highlights

($ millions, except per share value)	Q403	Q303	Q4 vs. Q3	
Revenues	2,027	1,965	↑	3.2%
Gross Margin %	43%	29%	↑	14 pts
Operating Expenses	524	842	↓	(318)
Operating Income (Loss)	339	(269)	↑	608
EPS	$0.02	($0.07)	↑	$0.09

Note: Arrows indicate direction of sequential change

Improvement in all categories

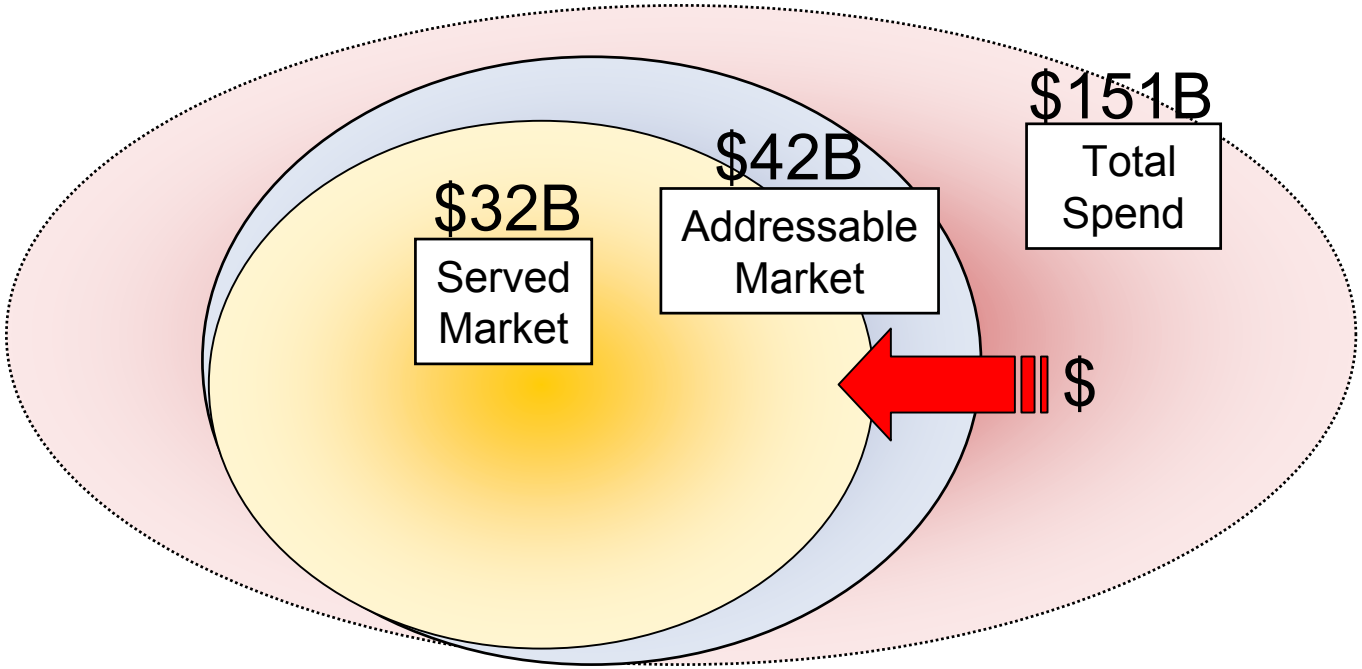
Restructuring Review
Lucent Financial Metrics

$ Billions, except DSO, Inventory Turns and Margin Points

	From Q1-01	*	To Q4-03	Change
Revenue	$ 4.3		$ 2.03	-53%
Gross Margin Rate	15.7%		42.3%	26.6 pts
Operating Expense	$ 2.9		$ 0.55	-81%
Vendor Finance Commitments	$ 7.5		$ 0.51	-93%
Cash Usage (provided) (Operating Activities)	$ 1.3	**	$ (0.15)	N/M
Working Capital (A/R, Inventory CIP and AP)	$ 12.5		$ 1.1	-91%
Days Sales Outstanding (DSO)	137		67	-51%
Inventory Turns	2.3		7.4	5.1
Employees	106,000		34,500	-67%

* excludes Agere and Power Systems
** excludes $0.6B related to receivable sales

Driving a $151 Billion Market

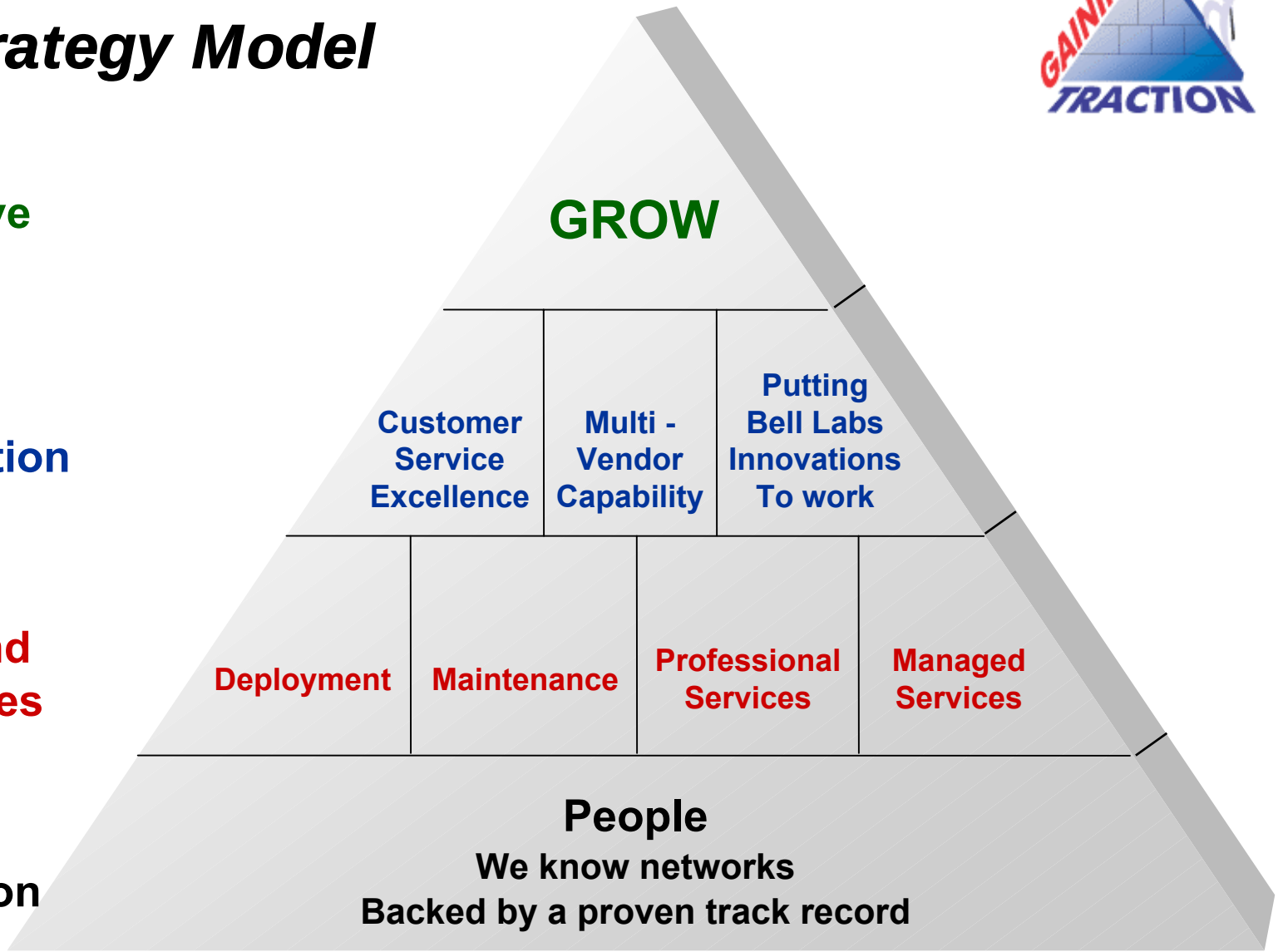


Opex Reduction	Capex Reduction	Leveraging Existing Assets	Managing Complexity	Business Continuity / Network Security

Tough Business Environment = Good Services Environment

Source: Booz Allen

Lucent Worldwide Services
Our Strategy Model



Capturing Market Growth in Four Key Areas



Professional Services

- Security and reliability
- Optimization
- Planning and design
- Revenue recovery

Deployment Services

- Multivendor deployments
- New markets and new services, e.g., Cable, In-Building Wireless

Managed Services

- Leveraging our base and experience in Professional Services, Deployment and Maintenance
- Tied to customer success

Maintenance Services

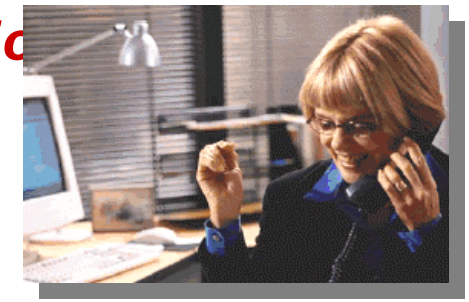
- Increased Multivendor opportunities
- Maintenance outsourcing
- Enterprise opportunities

Introduced 20 New Services Offers

The Driving Force Behind VoIP

Subscribers want access to their communicatic services from many places:

- Home, office, on-the-go
- Mobility isn't just wireless anymore!



And several devices

- PDA, PC, telephone, mobile phone

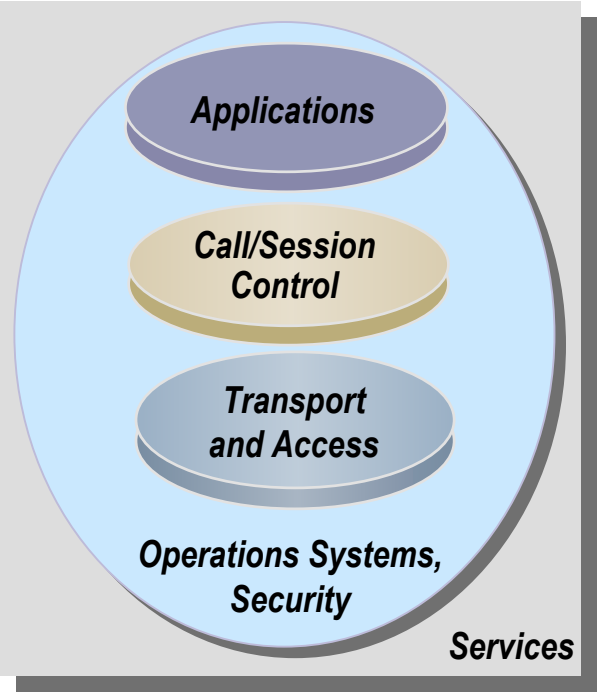


Without having separate accounts

- Single sign-on, common contacts, access-aware information delivery…

Accelerate VoIP Solutions – It's More Than Just Talk
It's Value Driven Solutions – Systems, Software, Services

Accelerate™ *VoIP Solutions*



Lucent Worldwide Services

VoIP consultants and engineers who can plan, design, integrate, maintain, and operate VoIP networks in order to speed time to market and mitigate risk.

- Accelerate Readiness Service
- Business Modeling and Analysis Service
- Network Operations Planning and Design Service
- Deployment and Maintenance Services

For Carriers, Cable Operators, Enterprises, and Individuals

Our Multivendor Experience Spans More Than 100 Vendors and 450 Products

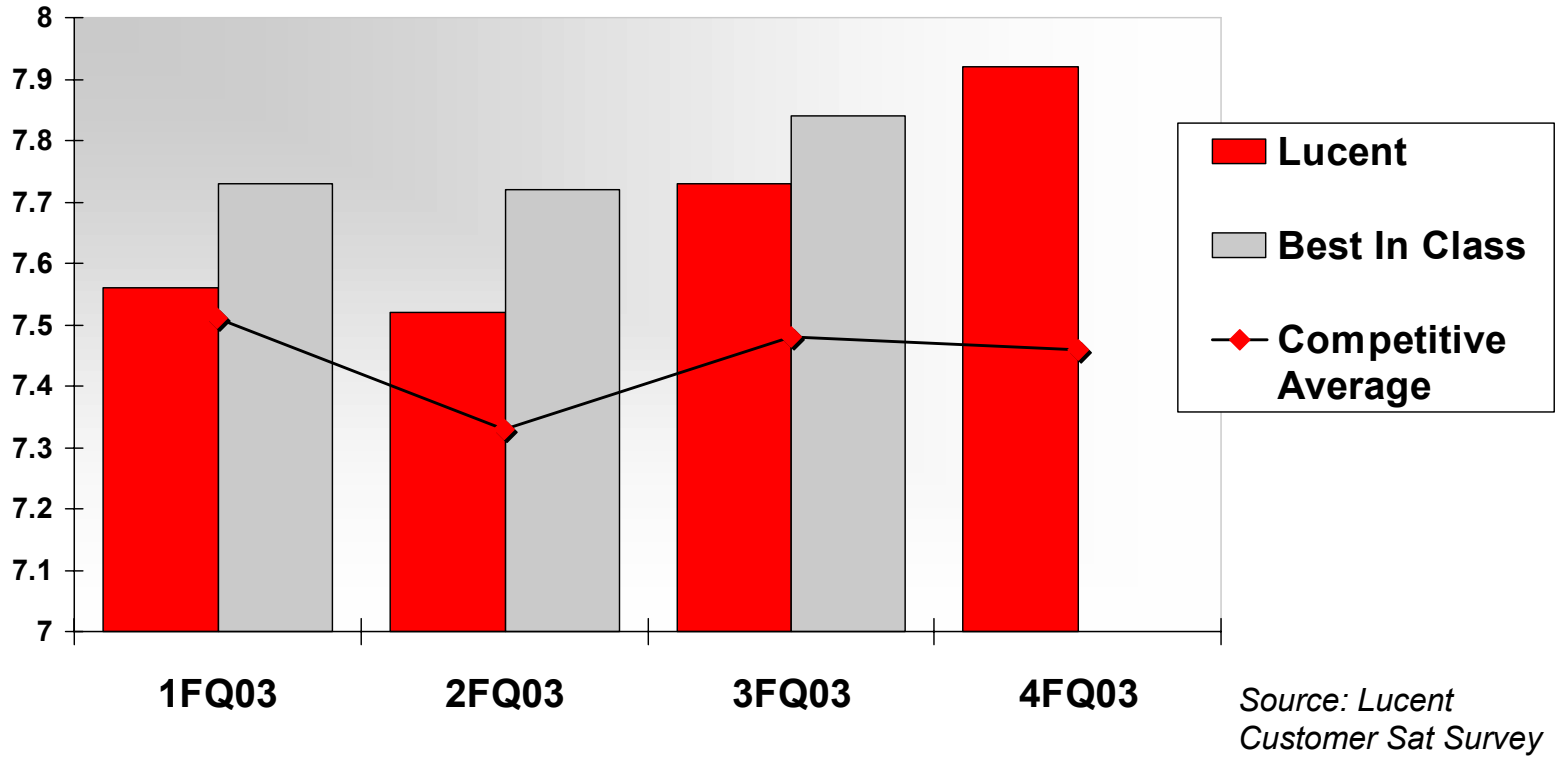


Juniper NETWORKS
Cisco Systems
NORTEL NETWORKS
NEC
Empowered by Innovation
MOTOROLA
intelligence everywhere
Corrigent SYSTEMS
AVAYA
Agilent Technologies
ALCATEL
telespree
Sun microsystems
TURNSTONE
Marconi
River STONE NETWORKS
ADC
tellabs
Microsoft
Network ASSOCIATES
YOUR NETWORK. OUR BUSINESS.
FOUNDRY NETWORKS
DPS Telecom
"Your Partners in Network Alarm Management"
COPPER MOUNTAIN NETWORKS, INC.
tyco
3com
SIEMENS
CIENA
Simply Smarter Light
hp invent
ERICSSON

Lucent is transforming itself into the leading network integrator

Note: The above corporate signatures are the property of the companies named, and no implication of endorsement by such companies is intended.

Customer Service Excellence: LWS Is Best in Class

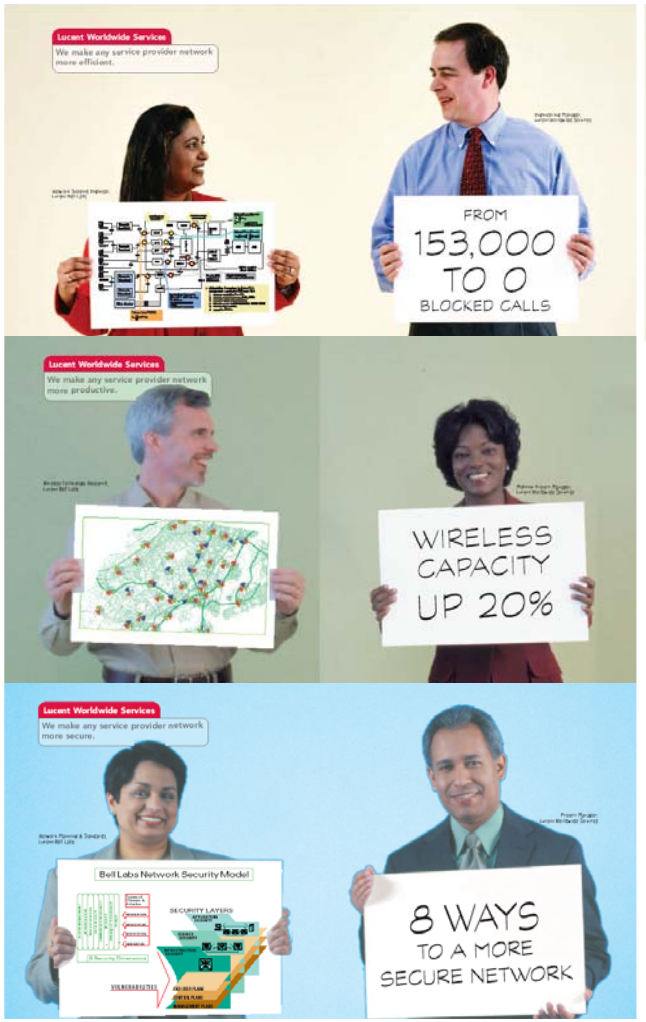


Source: Lucent Customer Sat Survey

"We selected Lucent for its technical excellence and an in-depth understanding of network operations, which will help us to provide better services and satisfaction to our customers."

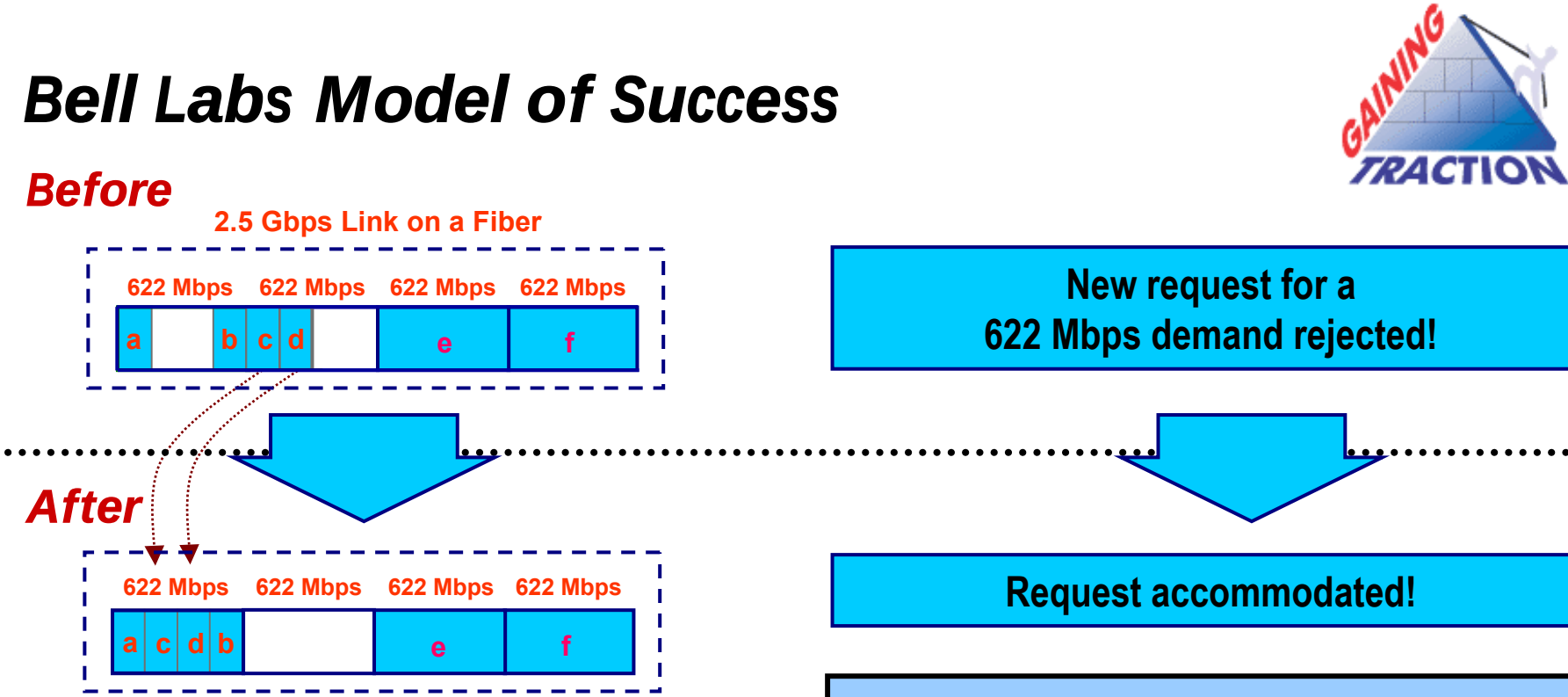
~ Dave Williams, CTO, O2

Bell Labs Services Innovations



- ***Bell Labs research spending quadrupled in two years***
- ***20 percent of Lucent's patent portfolio is services-related***
- ***One-third of LWS's portfolio uses Bell Labs network know-how***
- ***20 new services using Bell Labs assets***
- ***New Bell Labs-developed services***
  - RF Optimization Service based on OCELOT®
  - Records and Asset Verification Service based on NetInventory™ Auto Discovery tool

Bell Labs Model of Success



By rearranging traffic carried on different time slots, capacity on the link can be freed and reused.

Legend/Glossary			
Symbol	***Bandwidth***	***SDH***	***SONET***
Fiber/link	2.5 Gbps	STM-16	OC-48
e	622 Mbps	STM-4	OC-12
a	155 Mbps	STM-1	OC-3

2003 Publicly Announced Contract Highlights



- ***$250 Million in Managed Services Contracts***
- ***Signed Contracts in Every Region***
- ***1,600 New/renewed Maintenance Contracts***
- ***$100 Million in Government Contracts***

- ***TNZ*** - $100 million agreement to manage TNZ's CDMA mobile network
- ***Telemar*** - operations and maintenance, Managed Services - optical network
- ***O2*** - Network performance assessment - GSM and GRS
- ***Bechtel*** – rebuilding Iraq's wireline network
- ***KTF*** - deployment, integration, quality assurance
- ***Sprint PCS*** - deployment, integration, optimization and maintenance
- ***Brasil Telecom*** - deployment, network monitoring and management - broadband network
- ***Unicom Horizon/China Netcom*** - maintenance, consulting, network optimization
- ***U.S. Army*** - integration and other professional services - data network upgrade in North America and Asia
- ***Qwest*** – VoIP deployment, integration, professional services

Gained Traction in ’03



Financial

- Second Consecutive Quarter of Increased Revenues
- Gross Margins Up 132 Percent from 2Q03 to 4Q03
- Revenue per Employee up 23 percent within the Fiscal Year

Business Improvements

- Strengthened Multivendor Capability
- Non-product Attached Consulting Services Up from 18 to 47 Percent
- 33 Managed Services Clients
- 2,350 Maintenance Contracts
- Best-in-Class Customer Satisfaction
- Increased Bell Labs Contributions to Our Results
- Established 100+person Dedicated Services Sales Team

How We Plan to Win



- Expand Multivendor Capabilities
- Separate Sales Force
- New Markets
- Leverage Bell Labs Innovations

Customers are changing the way they do business. Lucent Worldwide Services is getting them there.