Lucent Technologies



Prudential Bache European Technology Conference

May 26, 2004

Mark G. Gibbens

Vice President & Treasurer

Lucent Technologies
Bell Labs Innovations

Lucent Technologies

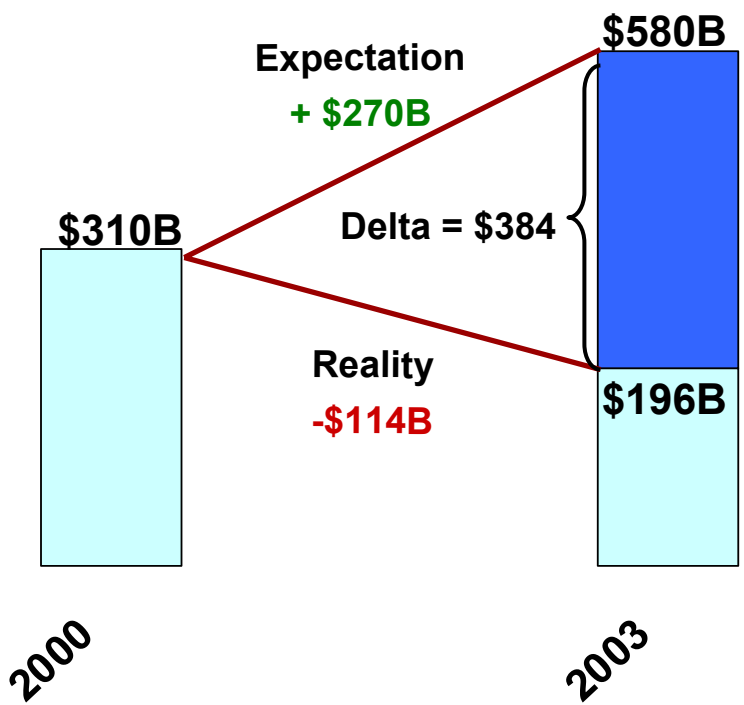
Forward Looking Statement Disclosure

This presentation may include forward-looking statements about our expectations for our future performance. Actual results could differ materially from those suggested by our 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.

2001 to 2003
Focus on Restructuring

Telecommunications Market

Service Provider Capital Spending



Lucent

- ✓Launched Business Restructuring in 2001
- ✓Focused on the following key areas:
  - ➢Stabilizing the financial structure
  - ➢Streamlining the cost and expense structure to be in line with the new market dynamics
  - ➢Re-designing fundamental systems and processes

Year End 2000 – Biggest industry downturn in history began
Lucent shifted focus from aggressive growth to managing cash & risk

Financial Results

.....Then and Now

13 Quarter Span

($ billions, except EPS)	From Q1-01	*	To Q2-04	Change
Revenue	$ 4.3		$ 2.2	-49.5%
Gross Margin Rate	15.7%		42.8%	27.1 pts
Operating Expenses	$ 2.9	**	$ 0.6	-78.3%
EPS - diluted	$ (0.47)	***	$ 0.02	$ 0.49
Vendor Finance Commitments	$ 7.5		$ 0.3	-95.8%
Operating Cash Flow	$ (1.3)	****	$ 0.4	$ 1.7
Working Capital (A/R, Inv, CIP and A/P)	$ 12.5		$ 1.3	-89.3%
Days Sales Outstanding (DSO)	137		65	-72 days
Inventory Turns	2.3		6.4	4.1 turns
Headcount	106,000		32,500	-69.3%

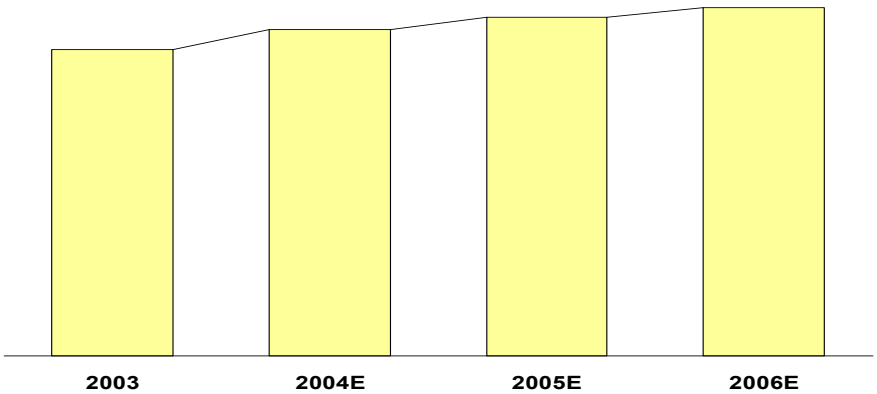
Significant improvement in financial & operational metrics

(*) excludes Agere and Power Systems (**) includes Bad Debt / Vendor Finance (***) loss from continuing operations (****) excludes $0.6B related to receivable sales

Shift in Focus
Profitable Growth

Telecommunications Market*

Aggregate Market is Stabilizing and Returning to Growth…



…While Dynamics Exist Due To

- ✓Shifts in Spending to Next Gen
- ✓Growth in Low Tele-Density Areas
- ✓Consolidation
- ✓Convergence
- ✓Regulatory Environment
- ✓Heightened Security Concerns

Lucent

- ✓**Seizing Next-Gen Market Opportunities**
  - ➢Metro Optical
  - ➢High Speed Wireless
  - ➢Broadband Access
  - ➢VoIP
- ✓**Expanding the Revenue Base**
  - ➢Services
  - ➢Government
  - ➢Outside the U.S.

* Source: Investment Analyst Reports & Internal Estimates

Focus on Profitable Growth

Next-Gen Market Opportunities

Opportunity	Key Technology	'04-'06 CAGR[(a)]	Lucent Solutions Include:
Metro Optical	▪Next-Gen Sonet/SDH ▪Optical Cross Connect ▪Metro DWDM	~10%	▪**Metropolis® Family** ▪**LambdaUnite™** ▪**LambdaXtreme™** ▪**Movaz Partnership**
Mobile High-Speed Data	▪UMTS/W-CDMA ▪3G CDMA (1X, EV-DO, EV-DV) ▪UMTS PC cards	~20%[(b)]	▪**Flexent® Base Stations built on common platform supporting CDMA/WCDMA** ▪**Novatel Wireless**
Broadband Access	▪DSL ▪FTTX ▪Wireless Broadband	~20%	▪**Stinger® DSLAM** ▪**AnyMedia® Family** ▪**Universal Gateways (APX® and MAX TNT®)**
Voice Over IP ("VoIP")	▪Media Gateways ▪Softswitch ▪IP Centrex ▪Feature Servers	~50%	▪**Accelerate™ Portfolio** ▪**Juniper Partnership** ▪**Cisco Partnership** ▪**Broadsoft Partnership**

✓ **Evolution to next generation equipment occurs at multiple layers in the network**

✓ **In addition, opportunities exist in Software and Services**

(a) Source: Dell' Oro, Gartner, RHK, Yankee Group and Synergy, Internal estimates
(b) Includes total next-gen growth rate for mobility

Focus on Profitable Growth

Expanding the Revenue Base

Lucent Worldwide Services

- Strengthened Multivendor Capability
- Best-in-Class Customer Satisfaction
- Established Dedicated Services Sales Team
- $250M in Managed Services contracts in the last 12 months

- **Large, highly fragmented market**
- **Total Services Spend of $151 billion**
- **Addressable market of $42 billion**
- **Served market of $32 billion**

Re-Emphasis on Government

- Seasoned team with over 400 dedicated employees
- Bell Labs – key differentiator

- **Large, highly fragmented market**
- **Addressable market in the "tens of billions"**
- **Over 150 federal programs in which Lucent can participate**

Opportunities Outside the U.S.

- Existing Global Customer Relationships & Market Presence
- Focus on emerging markets
- 17 Non-U.S. contracts with >$300M value announced at CeBIT 2004

- **2Q04 Non U.S. Revenue 40% of Total**
- **1/3 of headcount outside the U.S.**
  - **Over 3,000 in China**
  - **Over 1,000 in India**
- **Established Corporate Leader of Global Business Development**

Focus on Profitable Growth

Worldwide Customer Announcements

Next-Gen Optical

- **Deutsche Telekom, Telefonica, 360 Networks, Zheijiang Telecom, Verizon, AT&T, BellSouth**

High-speed Wireless

- **Verizon Wireless, Sprint PCS, KTF (Korea), China Unicom**
- **UMTS/W-CDMA build in Spain; trials with AT&T Wireless (Miami) and China Netcom (Shanghai)**
- **UMTS PC card wins, with Novatel, at seven of the top eight service providers in Europe: Telefonica Moviles; Telecom Italia; T-Mobile; Orange; E-Plus; mm02; Hutchison ("3" HSD service)**
- **Advanced 3G network management software with Telefonica Moviles**

Broadband Access

- **TPSA, France Telecom (Uni2), Bell Canada, Sprint LTD, Brazil Telecom, Telefonica (Brazil)**

VoIP, Wireline/Wireless Convergence

- **BellSouth, KPN, T-Com, Shandong Netcom, eircom, Phonom, Qwest, Choice One**

Services

- **Managed services contracts in North America, Australia, New Zealand, South America, Europe**

Government

- **2 contracts in Iraq and 3 DARPA contracts**

Outside the U.S.

- **China Unicom, China Telecom, Deutsche Telekom, TPSA, Telefonica Moviles, VIVO, and more . . .**

✓Seizing Next-Gen Market Opportunities

✓Expanding the Revenue Base

Lucent Technologies



Prudential Bache European Technology Conference

May 26, 2004

Mark G. Gibbens

Vice President & Treasurer

Lucent Technologies
Bell Labs Innovations