

Mobility Solutions Group Business Strategy And Market Opportunity

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Lucent Technologies
Bell Labs Innovations

Forward-Looking Statement Disclosure

This presentation may include some 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 10-K, 10-Q, and 8-Ks.

Global Mobility Industry Opportunities

- 3G technology enables low-cost, high-volume voice
  - Helps improve profitability of traditional revenue stream
- High-speed mobile data offers new, untapped revenue source
  - Substantial demand among businesses

LOWER COSTS	REDUCE OPERATIONAL COMPLEXITY	OPTIMIZE AND EVOLVE CURRENT NETWORK	IMPROVE RELIABILITY AND SECURITY	DEPLOY PROFITABLE SERVICES

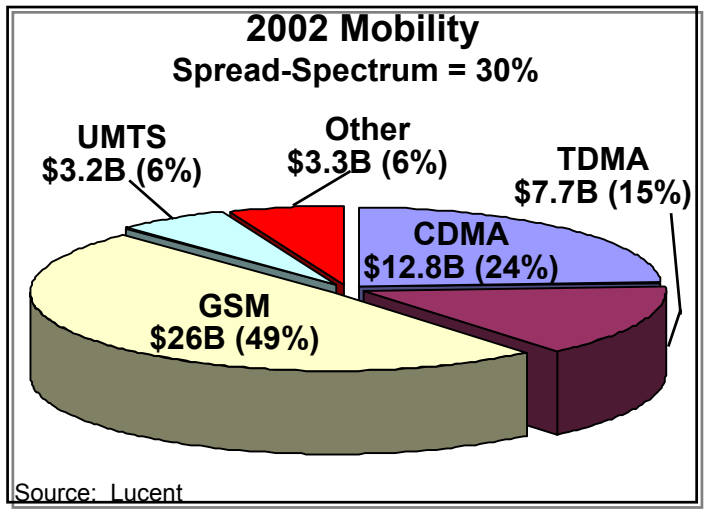
- Emerging mobility markets present new opportunities for operators and suppliers
  - Asia-Pacific
  - Latin America

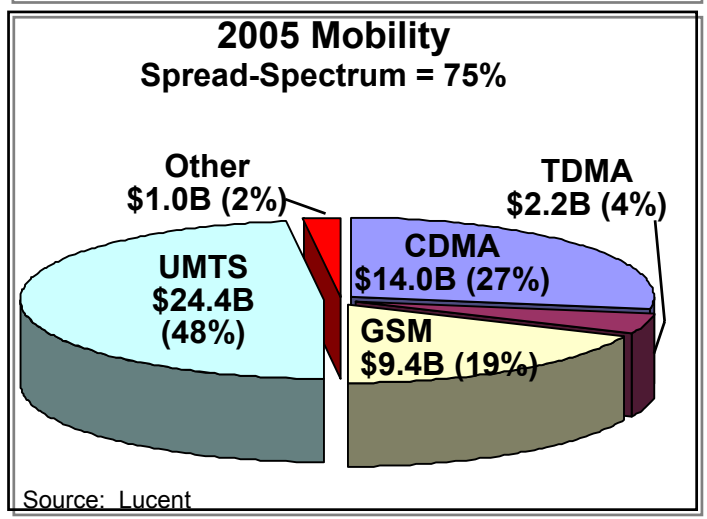


The World Is Moving To Spread-Spectrum

- Spread-spectrum shows sustainable growth
  - Sprint and Verizon launch CDMA2000 1X networks and innovative data services
  - New networks in China, Southeast Asia, India and Eastern Europe
- Decline in GSM, UMTS delays adversely impacting GSM-centric vendors
  - 3G license write-downs by European operators
  - Voice saturation in Europe
  - Unicom's transition to CDMA drives down GSM capital expense
  - Vendor exposure in GSM/GPRS slowdown (e.g. 31% revenue drop '01 to '02)
- TDMA operators in North America transition to spread-spectrum UMTS by 2004-2005

Market grows to 75% by 2005

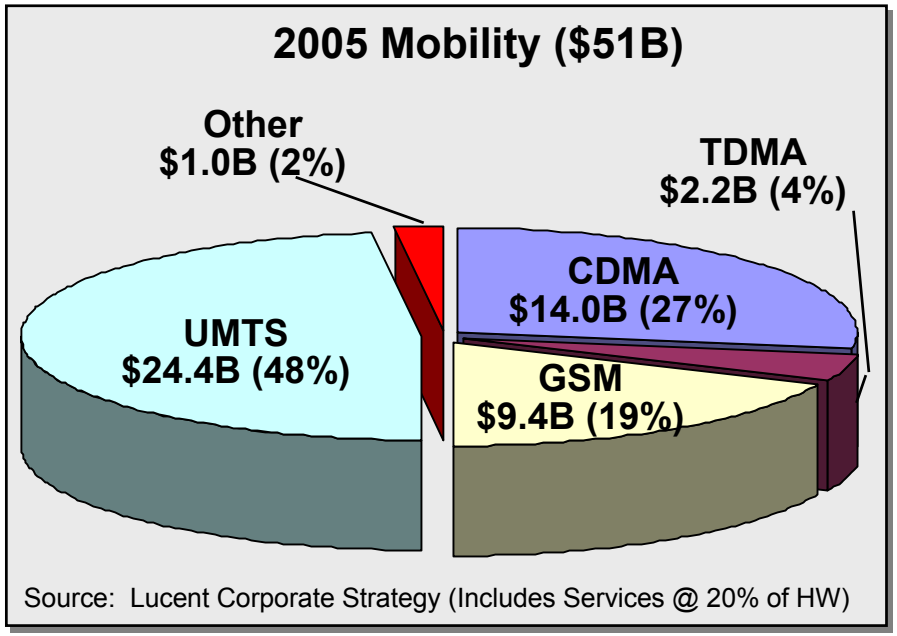




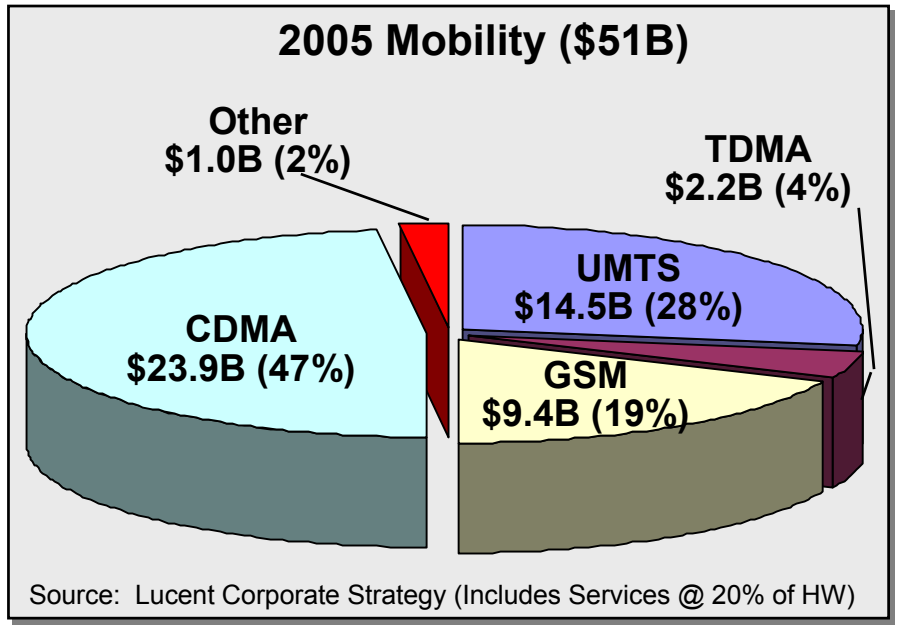
Market Environment

Global Industry - 3G Crossroads

Scenario I – UMTS @ 2100



Scenario II – CDMA2000 @ 450/850/2100



- Asia/Pacific region – CDMA2000 dominates
  - CDMA2000 momentum builds in China, India, etc.
  - CDMA2000 available in 450 and 2100 MHz spectrum bands
- Both scenarios, Lucent wins
  - Exclusive focus on spread-spectrum CDMA2000 and UMTS gives Lucent edge over competition

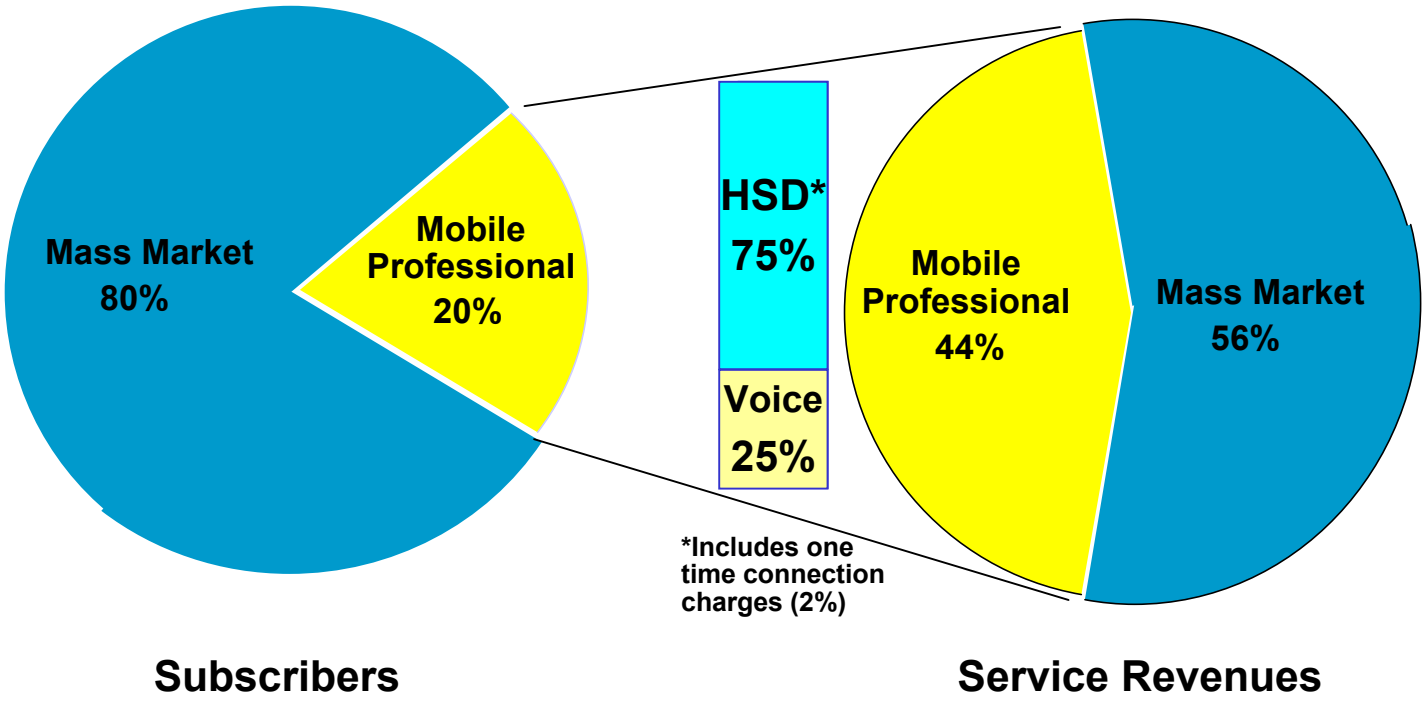
Lucent's Mobility Strategy

- Leverage our unmatched expertise in spread-spectrum technologies to expand global leadership in 3G network deployment
  - We've deployed more than 70,000 CDMA base stations – more than any other vendor – and 35,000 of them are 3G enabled
  - We have a strong position in the early phases of UMTS development and deployment, including T-Mobile and Telefonica Moviles pilot networks
- Provide mobile operators with next-generation capabilities while extending the value of their existing infrastructure investments
  - Compelling service provider financials for migrating 2G voice to 3G: reduced cost, improved margin, greater network capacity
- Help service providers diversify their revenue base through low-cost voice and high-speed mobile data services
  - Increase revenue from existing customers
  - Attract new subscribers
  - Focus on the enterprise

Why High-Speed Data For The Enterprise First?

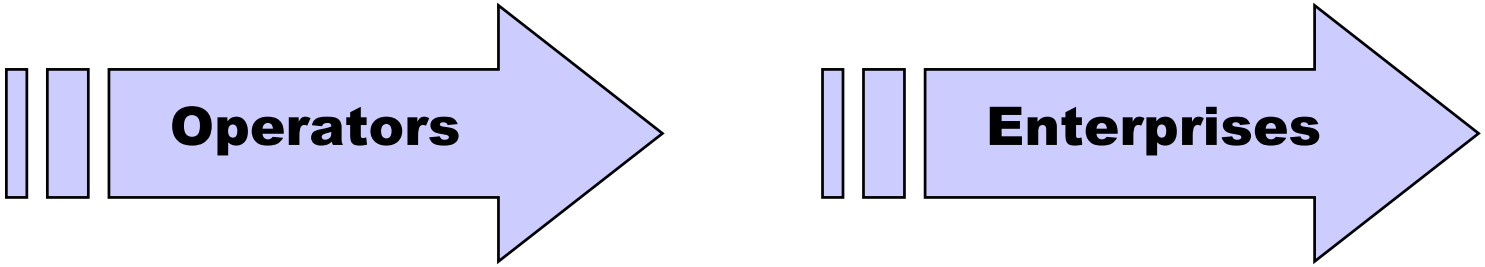
High "willingness to pay" and low churn

While mobile professionals account for only 20% of total subscribers, they account for 44% of total service revenues



Source: Financial Institutions

First-To-Market Advantages Throughout The Value Chain



- Take share in a commoditized voice market by offering bundle of HSD and voice services
- Attract dissatisfied 2/2.5G data users
- Establish market share in the lucrative enterprise market
- Capture (and keep) the early-adopter enterprise users

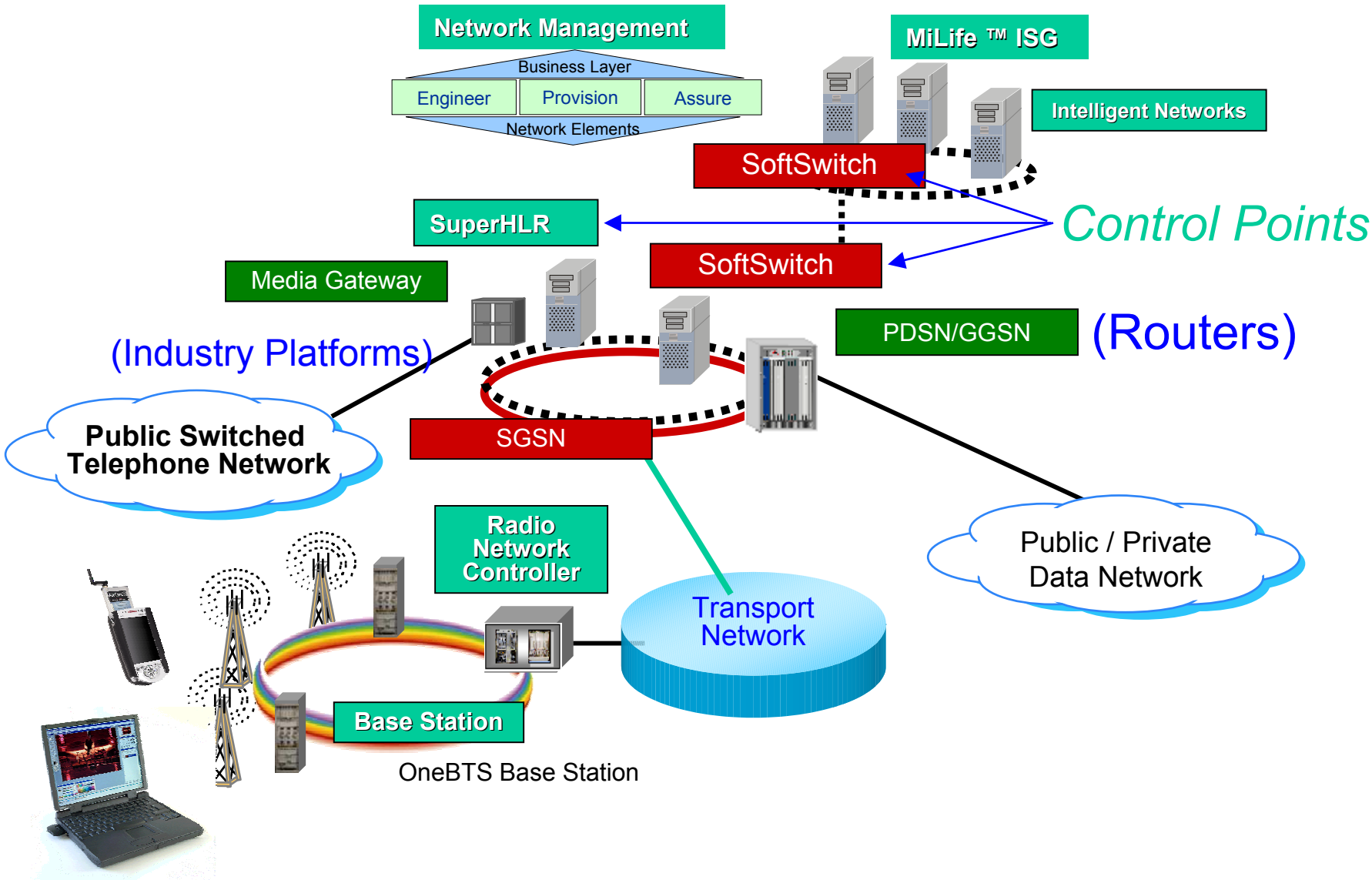
- Adopt a service that can bring immediate cost savings and productivity improvements with minimal disruption to existing IT infrastructure
- Use HSD as a key differentiator by bringing a higher level of customer service or through a more efficient cost structure
- Increase employee satisfaction by streamlining work processes and increasing worker flexibility

Mobility Market And Product Summary

- **Spread-spectrum is growing worldwide**
  - The world is moving from time division to spread-spectrum
  - Lucent is the **market leader** in spread-spectrum
- **We're making the market for high speed data**
  - Substantial demand, untapped revenue
  - Enterprise Engagement program
  - Partnership leverage (integrators, devices)
- **Our competitive advantage**
  - Unmatched expertise and network know-how
  - Simplified end user provisioning
  - Performance, capacity and speed
  - Security and service transparency
- **Portfolio solutions for high-speed data and low-cost voice**
  - End-to-end solutions (device to application)
  - OneBTS: CDMA2000 & UMTS common platform



Mobility Portfolio



End-To-End Portfolio Solutions For Wireless Service Providers

Bringing customers the most competitive solutions available

- Lucent value-added reseller agreement with Cisco
  - Marries Lucent's unmatched expertise in wireless infrastructure with Cisco's leadership in IP networking
  - Lucent provides the total solution and remains the "face to the customer"
  - Lucent Worldwide Services providing installation, engineering, support and maintenance
- Cisco Packet Data and Media Gateway Products
  - Cisco Packet Data Serving Node (PDSN)
  - Cisco Gateway GPRS Support Node (GGSN)
  - Cisco MGX Media Gateway
  - Lucent Softswitch for wireless applications will provide control functionality for MGX media gateways

Lucent's 3G Momentum

- **Recent 3G contracts, trials demonstrate momentum in key growth markets**
  - **Deploying UMTS pilot network for T-Mobile to deliver secure mobile high-speed data services to businesses in Nuremburg**
  - **Major 3G CDMA2000 1X deals with Tata Teleservices and Reliance InfoComm make Lucent the leading 3G vendor in India**
  - **A 3G CDMA 1X expansion contract with China Unicom worth more than $400 million**
  - **Helped Movilnet launch advanced 3G Mobile Network in Venezuela; Lucent has deployed networks for all Verizon International affiliates in the Caribbean and Latin America regions**
  - **A $150 million contract to continue the development of the CDMA2000 network of U.S. mobile operator MetroPCS**
  - **A $100 million 3G CDMA 1X agreement with U.S. Cellular**
  - **Launch of flagship CDMA base station Flexent® Modular Cell 4.0 with trial customer Verizon Wireless**

Lucent Mobility: Positioned To Succeed

- Spread-spectrum is growing worldwide
  - The world is moving from time division to spread-spectrum
  - Lucent is the market leader in spread-spectrum
- We're building on our expertise in spread-spectrum to expand our global leadership in 3G networks
  - Named number two global wireless infrastructure provider by Dell'Oro Group
  - More than 20 Lucent 3G networks have been deployed in North and South America, Asia, Europe and the Australia-New Zealand regions
- We're helping diversify mobile operators' revenue base through high-speed mobile data services – substantial demand and untapped revenue opportunity in the enterprise market
- Our solutions are focused on deploying profitable new services
  - High-speed data and low-cost voice
  - Enabling simplified end user provisioning
  - Delivering security, service transparency
  - Providing complete solutions (device to application)



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