Lucent Technologies Inc.
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Bernstein Strategic Decisions Conference
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Forward-Looking Statement Disclosure

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Bell Labs Innovations

This presentation includes some forward-looking statements about our expectations for Lucent's future performance, as well as telecom market dynamics. 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-Qs, and 8-Ks.

Confluence of Forces Contributing to Reduced Spending by Service Providers



- Impact of overall economy
  - Businesses
  - Consumers
- Pressure on service providers to generate cash and reduce debt
  - Cutting CapEx spending
  - Controlling discretionary spending
- Absorbing the excess capacity created by earlier industry overspending
- Regulatory uncertainty
- Fewer players

Despite Current Challenges, Market Opportunity Remains Significant

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- **Forecast for calendar year 2002**
  - **Large service providers expected to reduce CapEx budgets by at least 20%, primarily in the wireline market**
  - **Our addressable market expected to decline at the same rate**
- **Expect Service Provider CapEx to eventually stabilize and then turn back up**
  - **Underlying primary traffic demand still strong**
  - **Longer term, capital spending returns to sustainable levels at 15%-20% of revenues**
  - **Spending driven by opportunities for revenue generation and lower operating expenses**

Factors That Could Increase Service Provider Spending

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- **Economic improvement, particularly for businesses**
  - Adding employees requires more telecom services
  - Greater willingness to spend
- **Identifying new "killer" applications**
  - High-speed mobile data
  - Broadband access
  - Security
  - Voice over IP
- **Change in data pricing model**
- **Regulatory clarity**
- **Demand and capacity collide**

What We're Hearing from Service Providers

Their Key Issues Today

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- **Drive profitable revenue through new and existing services**
- **Drive down operating expenses**
- **Improve reliability**
- **Evolve existing networks to take advantage of new technologies**

Willing to spend on value-added services

How Do You Operate Successfully in "The Perfect Storm" in Telecom?



- Embedded base/customer relationships
- Help customers leverage investments they've made to get to next-generation technologies
- Focus on end-to-end solutions
- Being the best in customer satisfaction
- Tightly link Bell Labs research capabilities to strategy
- Leverage services and network management capabilities
- Strong balance sheet

Leveraging assets to compete in today's environment

Positioning Lucent for Success in This Challenging Environment

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- **Strengthening relationships with largest service providers**
- **Working the fundamentals to become more effective and efficient**
  - **Simplifying and standardizing key processes (e.g., Product Development; Quote-to-Cash)**
  - **Taking a balanced approach to continued restructuring**
- **Investing in development of products and services to directly address our customers' needs**

Focused on what we can control despite current market conditions

New Product Offerings to Meet INS Customers' Needs

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- **IP Centrex Platform**
  - **Utilize existing circuit-based Centrex to provide packet/IP-based services**
  - **Eliminates need for expensive premises-based equipment**

SBC

- **LambdaUnite**
  - **Combines transport and cross-connect functionality**
  - **Savings in a typical carrier office**
    - **$1.5 million in CapEx**
    - **Space/power savings of $18,000 a month**

中国电信 CHINA TELECOM

(Siechaun Telecom)

Deutsche Telekom

New Product Offerings to Meet INS Customers' Needs (continued)

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- **Metro EON**
  - Cost effective and highly scalable DWDM solution for metro/regional rings
  - Allows for new services such as DSL, VPN and gigabet Ethernet
  - Provides faster customer connections to core networks, eliminates congestion and increases reliability

- **PacketStar Multiservice Gateway (PSAX)**
  - One service provider saved 47% of recurring transport cost in a wireless backhaul application

New Product Offerings to Meet Mobility Customers' Needs

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- **Flexent CDMA**
  - 33% reduction in footprint
  - Cost-effective upgrade to One/BTS that supports both CDMA and UMTS
  - More effective use of spectrum

verizon wireless

中国联通 CHINA UNICOM

- **3G-IX deployment**
  - Doubles voice capacity
  - Increases data throughput to 156 bps from 9.6 bps today

Sprint PCS

verizon

Fundamentally, A New Lucent

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- **Focused solely on deep, long-term customer relationships with the world's leading service providers**
- **Providing a robust, industry-leading product portfolio designed to help our customers introduce new services, reduce expenses and simplify their networks**
- **Unmatched experience and skills for managing large, complex networks**
- **Strong balance sheet**
- **Positioning to profitably take share as the market improves**

A re-invigorated team, poised to succeed

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This presentation contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about the industries in which we operate, our beliefs and our management's assumptions. Words such as "expects", "anticipates", "targets", "goals", "projects", "intends", "plans", "believes", "seeks", "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. These risks and uncertainties include: the failure of the telecommunications market to improve or it improves at a slower pace than we anticipate; our ability to secure additional sources of funds if our sources of liquidity are unavailable; our credit ratings; our ability to comply with covenants and restrictions in our credit facility; our ability to continue to realize the benefits we expect from our restructuring program; our ability to compete effectively; our reliance on a limited number of key customers; our reliance on third parties to manufacture some of our products; the cost and other risks inherent in our long-term sales agreements; our exposure to the credit risk of our customers as a result of our vendor financing arrangements and accounts receivable; our product mix and ability to keep pace with technological advances in our industry; the complexity of our products; existing and future litigation; our ability to protect our intellectual property rights and the expenses we may incur in defending such rights; our ability to retain and recruit key personnel; changes in environmental health and safety law; rapid changes to existing regulations or technical standards; and the social, political and economic risks of our foreign operations. For a further list and description of such risks and uncertainties, see the reports filed by Lucent with the Securities and Exchange Commission. Except as otherwise required under federal securities laws and the rules and regulations of the SEC, Lucent disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.