UBS Warburg
Global Telecom Conference
November 11th 2002



Lucent Mobility Solutions
Business Strategy & Market Opportunities

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Forward-Looking Statement Disclosure

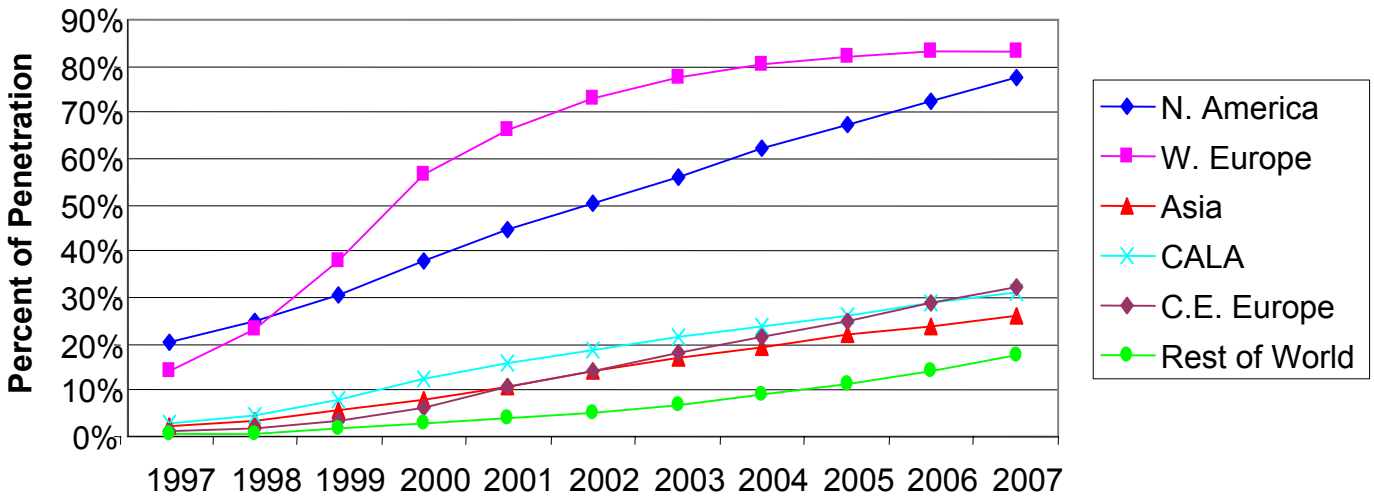
This presentation may include some forward-looking statements about our expectations for our future performance. Actual results could differ materially from those suggested by our comments today. Additional information about factors that could affect future results are addressed in our SEC filings, including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

Global Mobility Trends-
Sustainable Growth Market



- **Linear Subscriber Growth**
- **Penetration Levels Much Lower than Wireline**
  - Wireline Challenge – Bandwidth Demand
  - Mobility Challenge – Profitable MoU/MB Data
- **Average Revenue Per User Decreasing**
  - Shift In Value Proposition – Low Cost Voice (Volume)
  - Profitable Growth Engine - High Speed Data (HSD) Access

Worldwide Mobility Penetration by Region

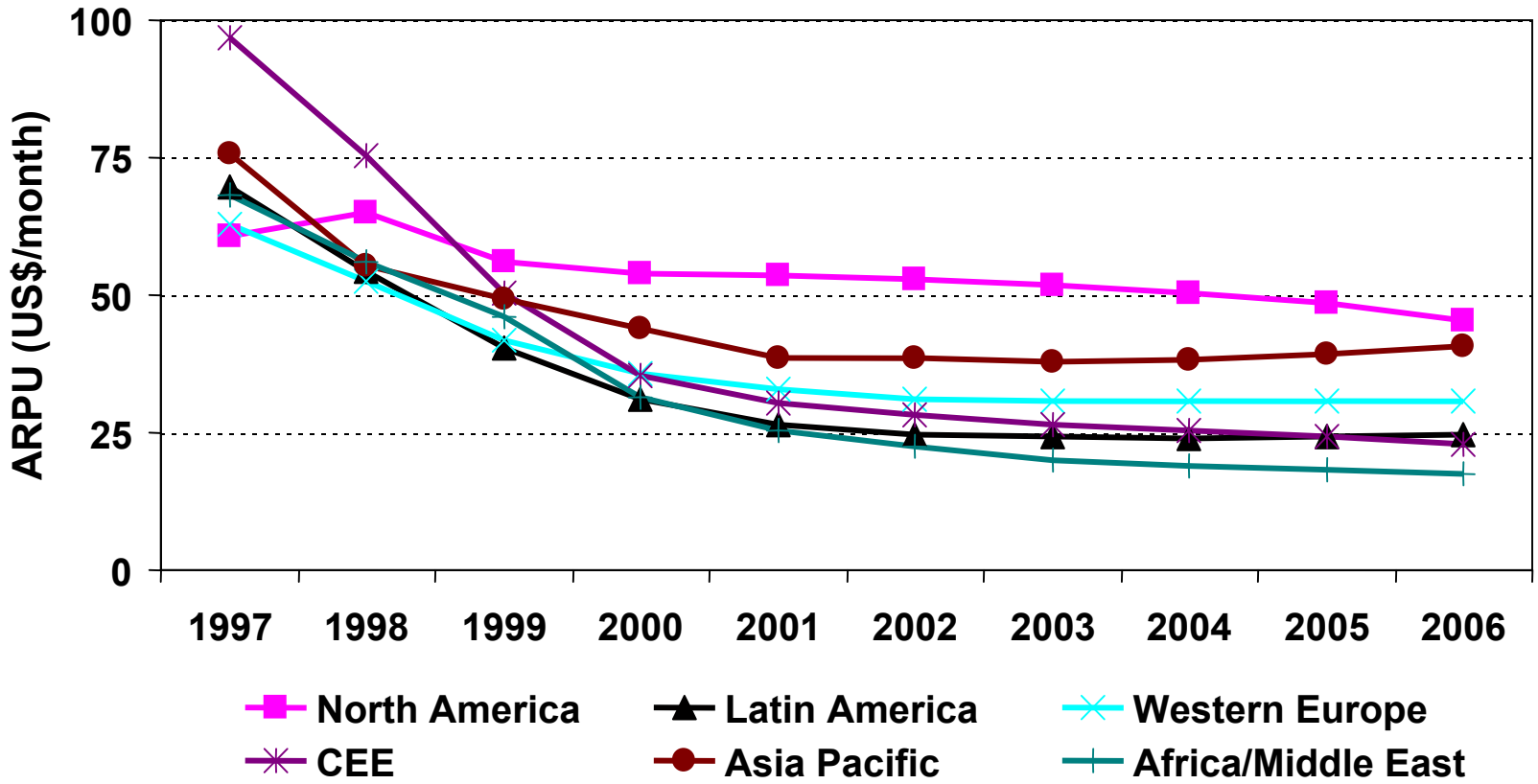


Regions	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
N. America	20.1%	24.9%	30.8%	38.1%	45.0%	50.3%	56.1%	62.2%	67.4%	72.7%	77.3%
W. Europe	14.1%	23.1%	37.8%	56.7%	66.5%	73.0%	77.3%	80.1%	82.0%	83.0%	83.2%
Asia	2.4%	3.6%	5.4%	7.7%	11.0%	14.0%	16.8%	19.3%	21.8%	24.0%	25.8%
CALA	2.7%	4.3%	8.2%	12.5%	16.1%	18.7%	21.4%	23.9%	26.3%	28.6%	31.1%
C.E. Europe	0.9%	1.9%	3.6%	6.5%	11.0%	14.3%	17.9%	21.4%	25.1%	28.6%	32.3%
Rest of World	0.5%	0.8%	1.7%	3.0%	4.0%	5.2%	6.9%	8.9%	11.3%	14.1%	17.6%
TOTAL	**3.6%**	**5.3%**	**8.1%**	**11.7%**	**15.1%**	**18.0%**	**20.7%**	**23.4%**	**26.0%**	**28.5%**	**30.9%**

Source: Strategy Analytics – Worldwide Cellular User Forecast Update (2002-2007), August 2002

Operator Challenge

Declining Voice ARPU



Significant Margin Pressure on Operators' Voice Business

Source: Pyramid Research

Spending Priorities within Mobility Market Segment

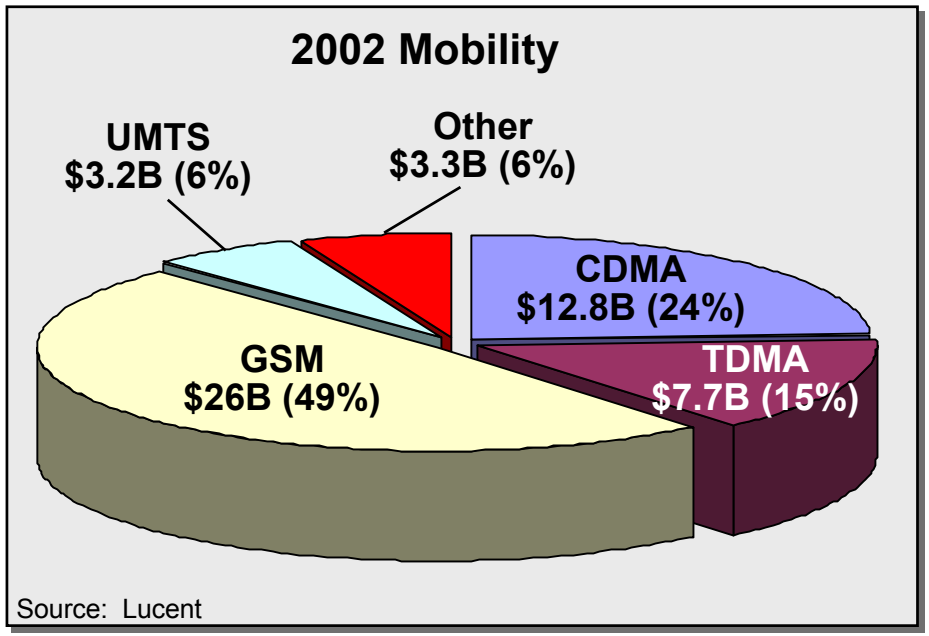
- North American CDMA operators (Verizon and Sprint PCS) completing network upgrades to CDMA2000 1X on a national level
  - Seeing Success in supporting 1X Data Applications for Enterprise Customers
- North American TDMA service providers (AT&T Wireless and Cingular) building overlay GSM networks on a path to UMTS based 3G networks
  - "We are absolutely committed to UMTS… It is our future"

    AT&T Wireless, October 4th, 2002
- CDMA-1X Rollout in China, India going well
- European mobility operators continue to reassess UMTS rollout plans
  - Great Interest in 3G Mobile High Speed Data Launch Strategy
- Demand for High Speed Mobile Data drives accelerated rollout of 3G mobile infrastructure globally
  - Spread Spectrum – the "Cornerstone" to Industry's Future

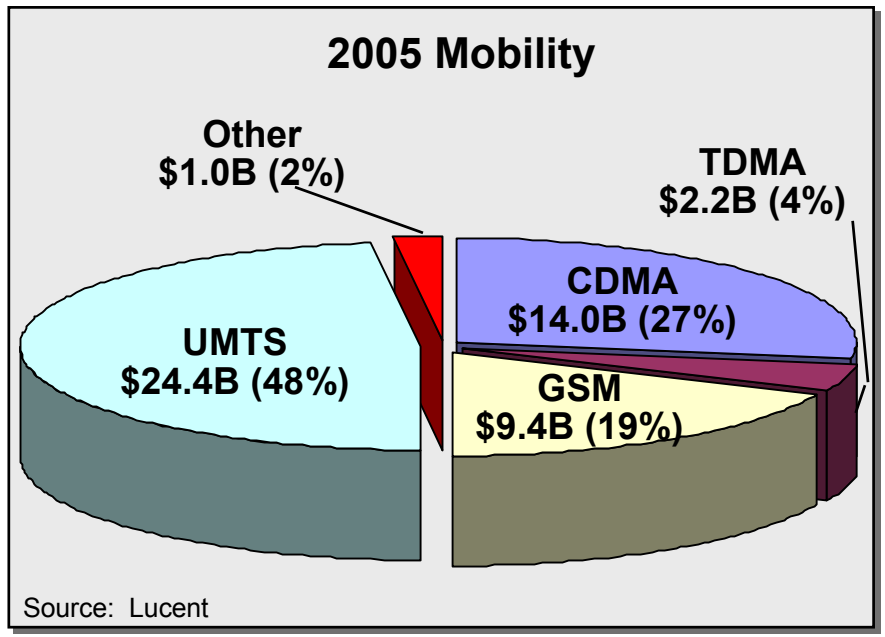
Global Mobility Market Environment

Spread Spectrum – 75% by 2005

Spread spectrum technology made up 30% of TAM in 2002…



…and grows at a rapid pace to dominate mobility spend by 2005



Spread Spectrum shows Sustainable Growth

- Sprint and Verizon launch cdma1x networks and innovative data services
- New networks in China, South East 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 drive GSM CAPEX down
- Vendor exposure in GSM/GPRS slowdown (e.g. 31% Rev. Drop '01 to '02)

TDMA Operators transition to Spread Spectrum UMTS by 2004

3G Growth Strategy – High Speed Data New Untapped Market Segments…..



Starting with the Business, Enterprise Segment first: provide the ability to conduct professional and personal business anytime and anywhere through 3G High Speed Mobile Data Access; with "Always On" secure connectivity to important company and personal information.

Mobility Solutions Strategy

Making the Market for 3G High Speed Data

- Business/Enterprise First, Mass Market in Second Phase
- For Operator - First Mover Advantage, **Premium Segment**
- Enterprise Engagement **– Bring Market Opportunity to the SP**
  - **Direct Engagement with Enterprise Customers**
- Overcome Barriers - **delayed voice terminals – deliver PC Cards early, based on end-to-end Solution**
- Overcome Provisioning for Enterprise User – “10 Minute Experience”
- Partnerships – Systems Integrators and Applications Providers

High Speed Data & Spread Spectrum

PHASE 1:

Capture High Value Business User Pent-up Demand

Mobile Professional

- Early adopter driven by productivity gains
- Access via Laptop and PDA
- Mobile HSD via secure VPN access
- Enabling existing desktop productivity applications

Operator Success is Dependant on:

- Time to market
- QoS: reliability and speed
- Security
- Ease of integration, activation and provisioning
- Focused deployment and M&S plan on key functional and vertical segments

PHASE 2:

Mass Market Voice + Volume Data Market

Business User + Consumer

- 2G sub migration and new adds driven by service differentiation, price and spectral efficiency
- Smart phone & PDA
- Micro segment targeted services and applications

Operator Success is Dependant on:

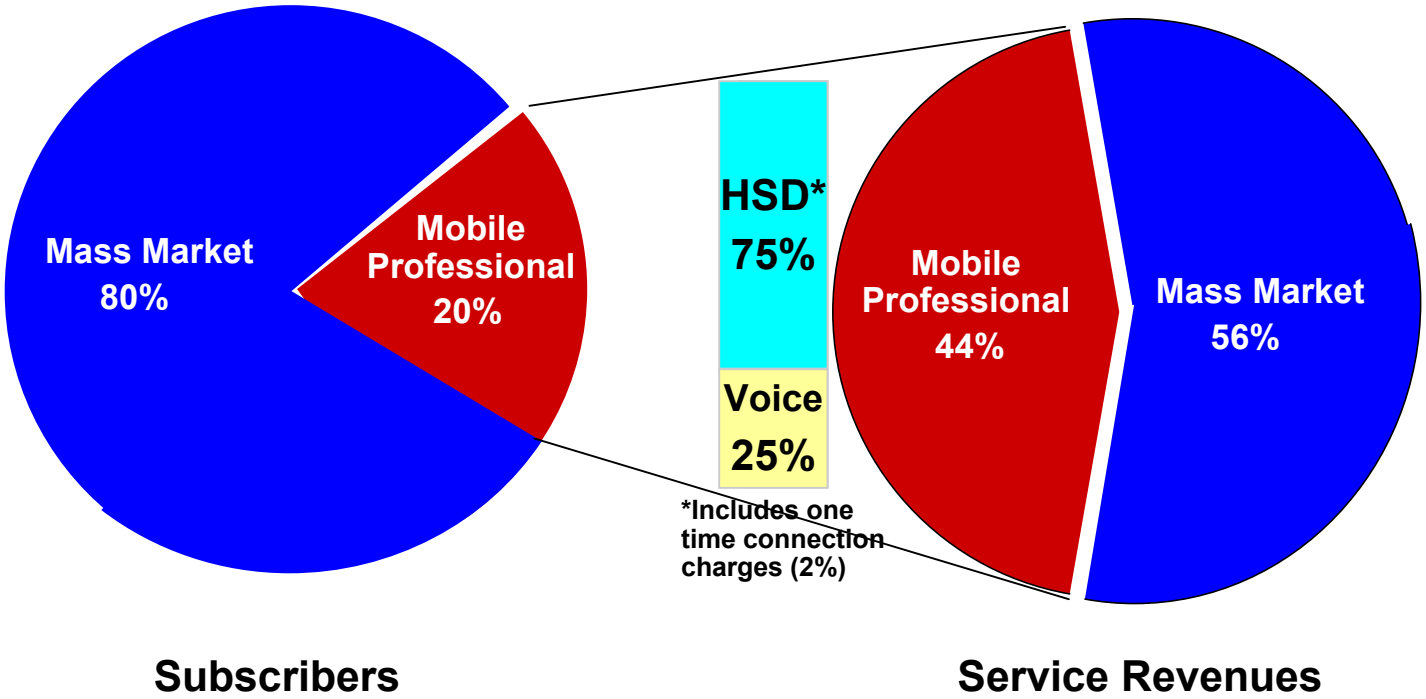
- Wide availability of inexpensive new devices
- Coverage and availability
- Applications and content
- Price
- Retail and advertising

Migrate 2G Voice to 3G: ***Compelling SP Financials for transition to 3G Voice Services based on reduced cost, improved margin and greater network capacity.***

Financial Implications

Why HSD ? Why Enterprise First?

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



Source: Financial Institutions

Mobility Focus

Product and Market Strategy

- Spread Spectrum Technology Captures Growth !
  - World Moving from Time Division to Spread Spectrum
  - Market Leader in Spread Spectrum – OneBTS
  - Expertise, IP, Deployment, Performance, Margin
- Lowest Cost Voice & HSD
  - OneBTS cdma2000 & UMTS Common Platform
- Competitive Advantage
  - End-to-End Solution (Device to Application)
  - End User Provisioning (e.g. 10 Minute Experience)
  - Performance, Capacity & Speed – Spread Spectrum
  - Security & Service Transparency (802.11/W-LAN)



Global Mobility Market Environment

Shift in Value Proposition - Summary

- Sustained Growth in Mobility Market !
- Uniquely Positioned to Take Advantage of Market Shift
  - Spread Spectrum – Lowest Cost Voice and End-to-End High Speed Data Solution
  - Common Platform – OneBTS, cdma2000 and UMTS
  - Scale & Focus – Spread Spectrum, Competitive Advantage
  - Equipped over 160 CDMA networks, over 70,000 base stations deployed
  - Expertise, Intellectual Property, Deployment, Performance, Optimization
  - Solved many of the problems that Competitors have yet to solve

Deliver Spread Spectrum Value Proposition
Low Cost Voice & High Speed Data

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