Lucent Technologies

2nd Quarter 2003 Earnings Teleconference

April 23, 2003

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Introduction



MaryAnn Niebojeski

Investor Relations Vice President

Q2 2003 Earnings Teleconference

Forward-Looking Statement Disclosure

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This presentation includes 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 Form 10-K, 10-Q, and 8-Ks. A summary is included at the end of this presentation.

Any information contained herein should be read in conjunction with the April 23, 2003 Q2 earnings press release with accompanying financial tables.

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Opening Remarks



Pat Russo

Chairman & Chief Executive Officer

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Financial Review



Frank D'Amelio

Executive Vice President &
Chief Financial Officer

Q2 2003 Financial Review
Quarterly Results Highlights

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($ millions)	Q203	Q103		Q2 vs. Q1
Revenues	2,403	2,075	↑	15.8%
Gross Margin %	31.7%	21.9%	↑	9.8 pts
Operating Expenses	742	766	↓	(24)
Operating Income/(Loss)	20	(312)	↑	332
EPS	($0.14)	($0.11)	↑	($0.03)

Arrows indicate direction of sequential change

Q2 2003 Financial Review
Significant Impact Items

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($ millions)	Q203	Per Share Impact	Q103	Per Share Impact
Legal settlements	(415)	(0.11)	80	0.02
Swap conversion cost	(253)	(0.06)	(131)	(0.04)
Income tax benefit	237	0.06	105	0.03
Restructuring *	142	0.04	14	0.01
Amortization of goodwill and other acquired intangibles	(5)	(0.00)	(5)	0.00
Customer financing recoveries	-	-	80	0.02
Optical Fiber business disposition reserve	42	0.01	-	-
Total	(252)	(0.06)	143	0.04
Weighted Average common shares o/s	3,945		3,581	

* Includes $11 million of reversals in 2Q03 and $5 million of charges in Q103 that are reflected in costs

Q2 2003 Financial Review
Segment Results

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($ millions)	Q203	Q103	Q2 vs. Q1
Mobility Solutions			
Revenue	1,260	1,008	252
Segment Income	212	13	199
Integrated Network Solutions			
Revenue	1,024	1,015	9
Segment Loss	(90)	(133)	43
LWS Revenue	415	468	(53)

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Q2 2003 Financial Review
Operating Expenses

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($ millions)	Q203	Q103	Q2 vs. Q1
Bad Debt & Vendor Financing *	24	(91)	115
Goodwill/Intangible Amortization	5	5	-
All other SG&A	462	482	(20)
Total SG&A	491	396	95
R&D	382	389	(7)
Restructuring and asset impairments, net	(131)	(19)	(112)
Total	742	766	(24)

* Q103 includes $80M in recoveries

Q2 2003 Financial Review
Cash Flow

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($ millions)	Q203	Q103	Q2 vs. Q1
Net loss	(351)	(264)	(87)
Changes in other non-cash items	178	(73)	251
Changes in working capital	37	104	(67)
Changes in other assets and liabilities	(157)	(509)	352
Cash used in Operating Activities	(293)	(742)	449
Capital Spending	(33)	(155)	122
Restructuring - Cash Component	192	212	(20)
Cash Flow (incl Capex, excl Restructuring)	(134)	(685)	551

Unusual Items:	Q203	Q103
SPARKS Lawsuit Escrow Release	80	
Real Estate Lease Buyout		(102)

Q2 2003 Financial Review
Cash & Debt Summary

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($ millions)	Q203	Q103	Q2 vs. Q1
Cash and Short-term Investments	3,439	3,738	(299)
Short-term Debt:			
Other	271	193	78
Long-term Debt:			
Trust Preferred	1,152	1,532	(380)
Other	3,170	3,234	(64)
Total Debt	4,593	4,959	(366)
Convertible Preferred - Gross	973	1,318	(345)
Total Debt & Convertible Preferred	5,566	6,277	(711)

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Preferred Stock & Debt Exchanges

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($ millions)	Apr-03	Q203	Q103	Q402	Total
8.00% Convertible Preferred	30	345	392	175	942
7.75% Trust Preferred	-	380	218	-	598
Debt Obligations	35	52	-	-	87
Total	65	777	610	175	1,627
Common Shares Exchanged (in millions)					621

NOTE:

- **Results in approximately $125M reduction in annual interest and dividend requirements**

Q2 2003 Financial Review
Vendor Finance Review

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($ millions)	Q203	Q103	Q2 vs. Q1
Drawn commitments	586	683	(97)
Available but not drawn	57	61	(4)
Not available	1	0	1
Total	644	744	(100)
Reserves	513	567	(54)

Q2 2003 Financial Review
Cash Walk – Remainder FY 2003

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($ billions)	2H03
Cash & S-T Inv. - 3/31/03	3.4
Business Restructuring	(0.3)
Cash used in Ops (incl. CapEx)	(0.4)
Interest	(0.2)
Projected Cash & S-T Inv. - 9/30/03	2.5

Q2 2003 Financial Review
Key Takeaways

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- **Improvement in financial results**
  - Revenue increased 16% to $2.4 billion
  - Gross margin up 10 points to 32%
  - Sequential improvement in EPS of 7 cents, excluding significant items
- **Continued operating and capital structure progress**
  - Staff reduction on plan
  - Repurchased close to $800 million in debt and convertible securities
- **2003 Outlook**
  - Financially planning for approximately 20-25% year-over-year revenue decline
  - Reducing quarterly breakeven revenue to about $2.4B
  - Continue to target return to profitability by end of fiscal 2003
- **Sufficient liquidity to fund operations and restructuring**
  - Cash at the end of fiscal 2003 projected at more than $2.5 billion

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Executive Review



Pat Russo

Chairman & Chief Executive Officer

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Q&A Session

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Closing Remarks

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Forward-Looking Statement Disclosure

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This presentation contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, the industries in which we operate, our beliefs and our management's assumptions. In addition, other written or oral statements that constitute forward-looking statements may be made by or on behalf of us. 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 improve at the pace we anticipate; continued net losses may reduce or impair our legally available surplus; our ability to realize the benefits we expect from our strategic direction and restructuring program; our ability to secure additional sources of funds on reasonable terms; our credit ratings; our ability to compete effectively; our reliance on a limited number of key customers; our exposure to the credit risk of our customers as a result of our vendor financing arrangements and accounts receivable; our reliance on third parties to manufacture most of our products; the cost and other risks inherent in our long-term sales agreements; our product portfolio and ability to keep pace with technological advances in our industry; the complexity of our products; our ability to retain and recruit key personnel; existing and future litigation; our ability to protect our intellectual property rights and the expenses we may incur in defending such rights; changes in environmental health and safety law; changes to existing regulations or technical standards; the social, political and economic risks of our foreign operations; and the costs and risks associated with our pension and postretirement benefit obligations. 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, we do not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.