

Mobility Solutions Group Business Strategy And Market Opportunity

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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

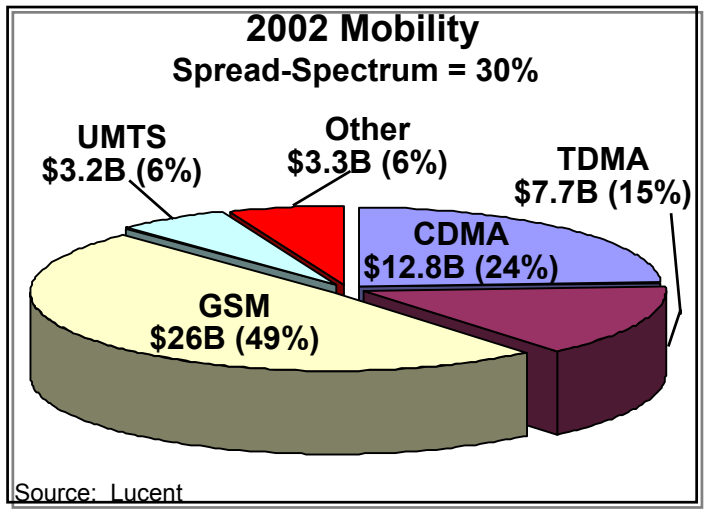
- Emerging mobility markets present new opportunities for operators and suppliers
  - Asia-Pacific
  - Latin America

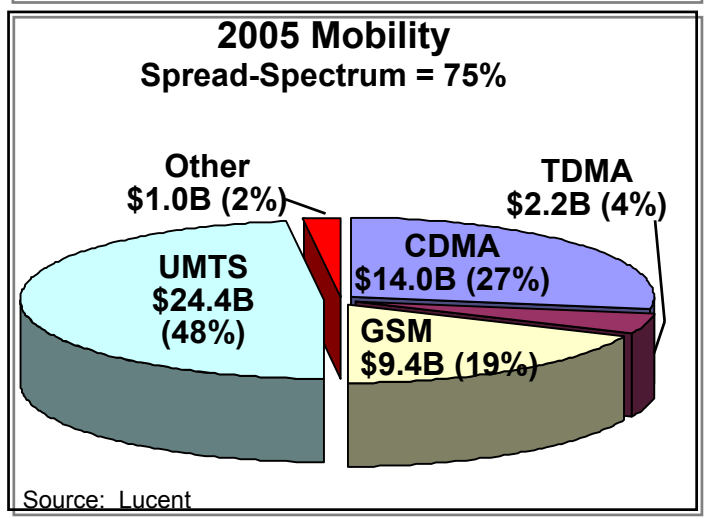


The World Is Moving To Spread-Spectrum

- 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

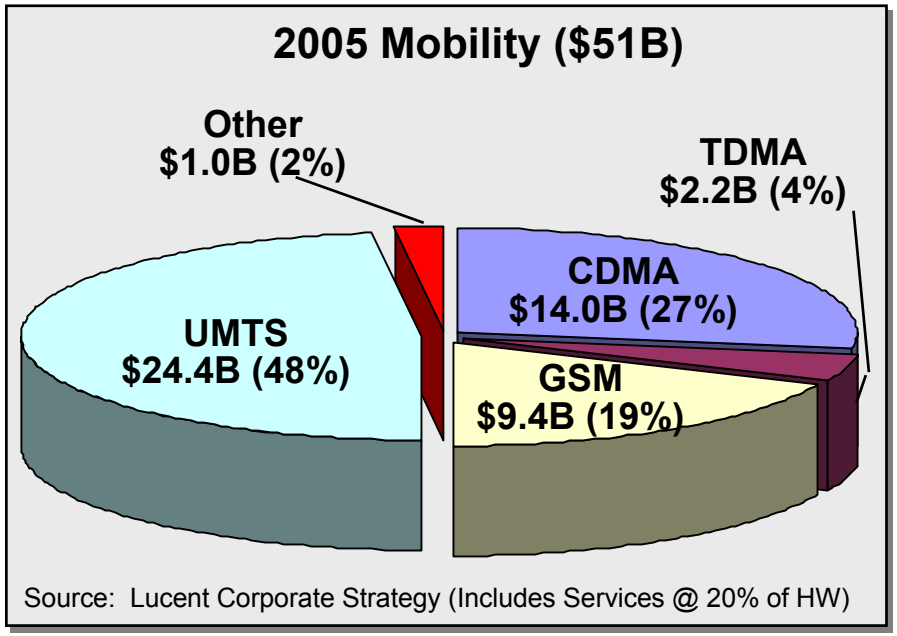




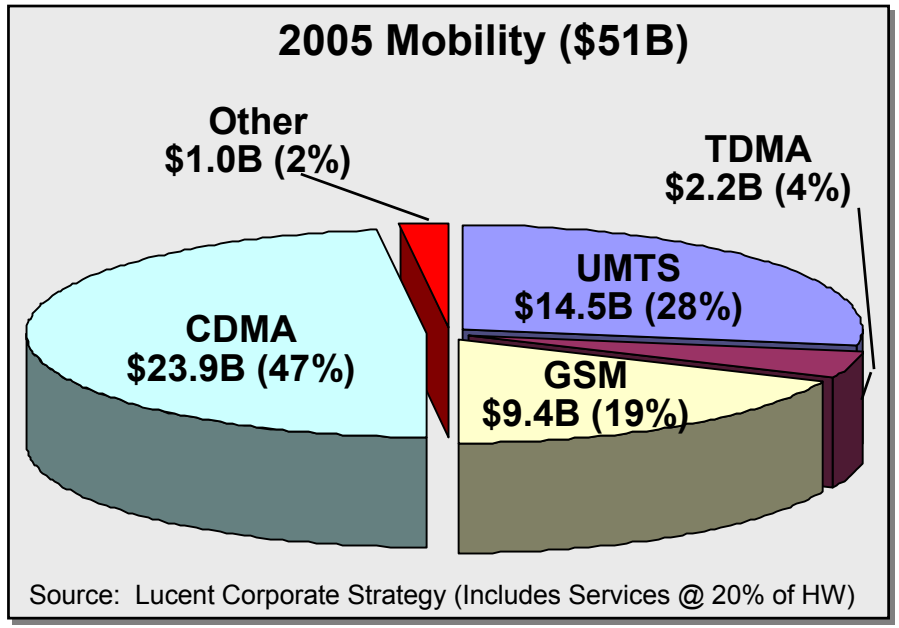
Market Environment

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

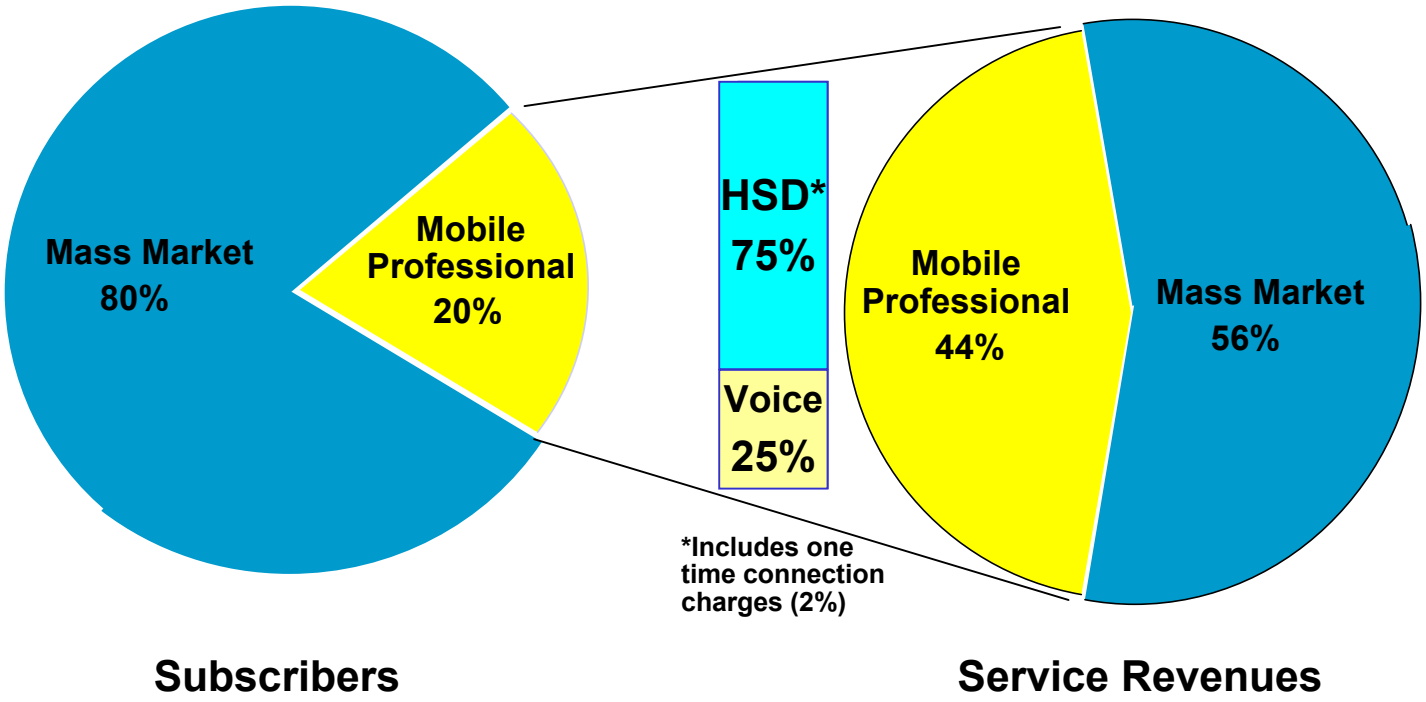
Lucent's Mobility Strategy

- 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?

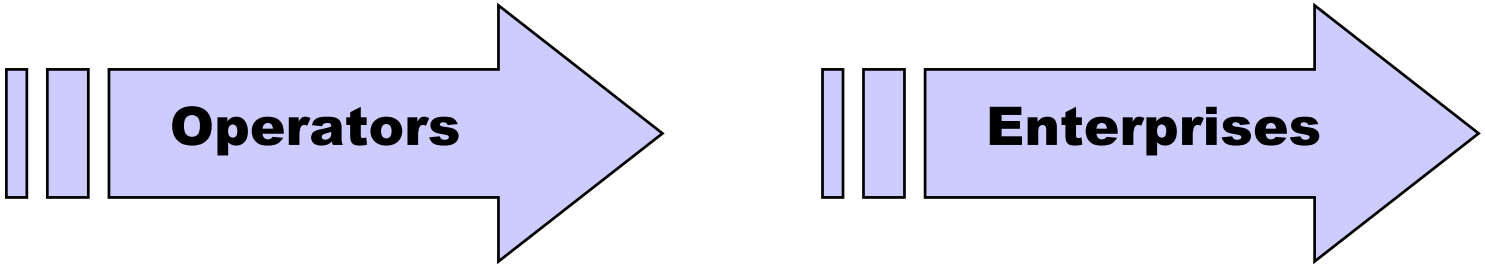
High "willingness to pay" and low churn

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

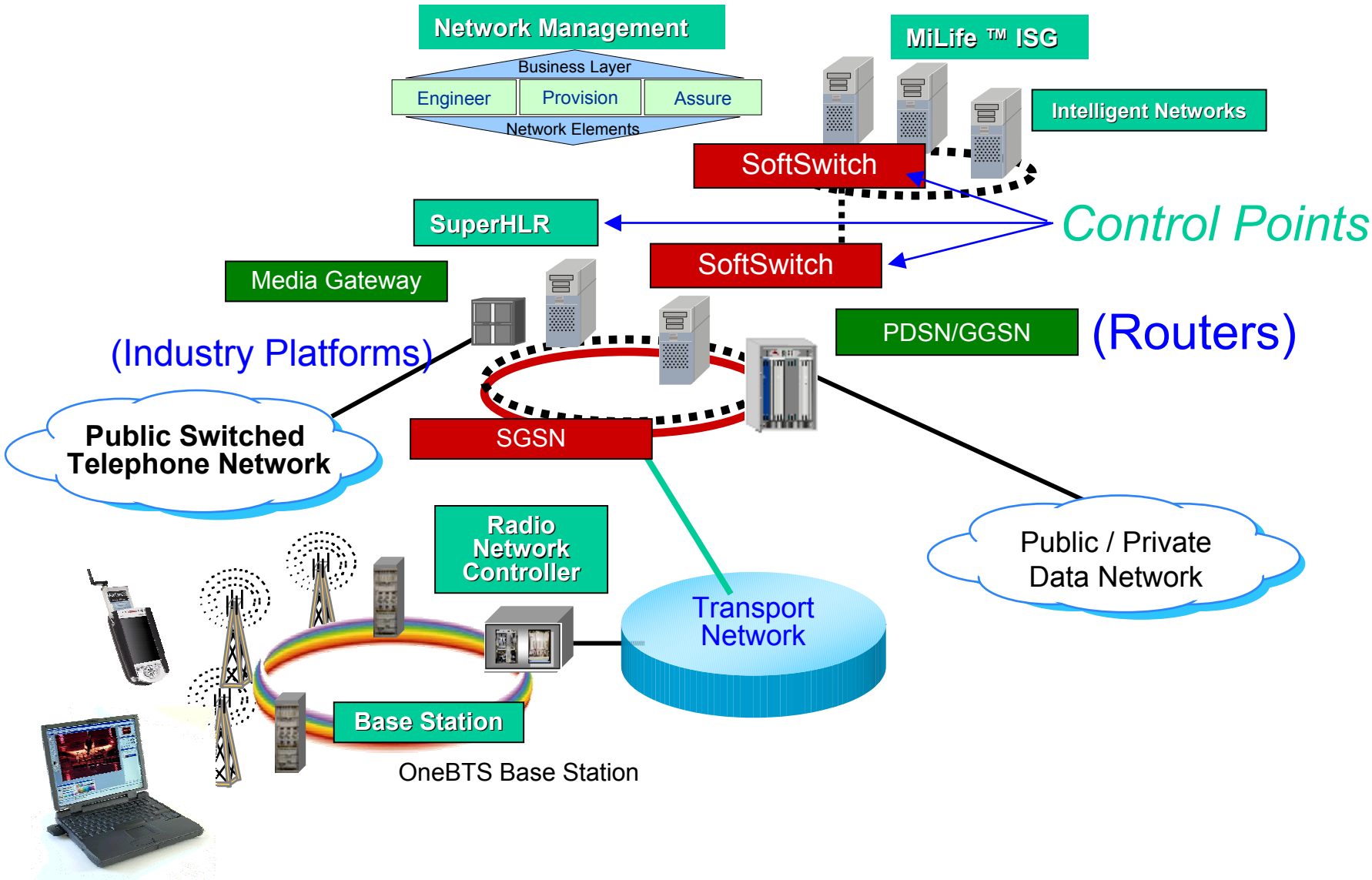
- Adopt a service that can bring immediate cost savings and productivity improvements with minimal disruption to existing IT infrastructure
- Use HSD as a key differentiator by bringing a higher level of customer service or through a more efficient cost structure
- Increase employee satisfaction by streamlining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

- **Flexent® OneBTS™ Base Station/Modcell 4.0** platform-based family of products supporting cdmaOne, CDMA2000 and UMTS
  - Supports integrated intelligent antennas for superior capacity growth
- **Radio Network Controller** provides high-performance radio access control function for UMTS & CDMA2000
  - Solution for call handling, mobility management, and control of multiple base stations
- **Softswitch-based 3G Mobile Switching Center** enables integrated voice/data services
  - Leverages open APIs for creating new innovative services for the Mobile Internet



NEW PRODUCT

OneBTS
One-of-a-kind digital platform for 3G spread-spectrum technologies



Softswitch MSC
Enables innovative new services for the mobile Internet

Lucent's Mobility Portfolio

- **Super Distributed HLR** authenticates, manages profiles and Internet addresses for mobile users
  - Utilizes breakthrough software from Bell Labs to enable global roaming in future
- **MiLife™ Portfolio** of platforms and applications
  - Easy introduction of personalized, revenue-generating mobile services
  - Flexible platforms for rapid delivery of enhanced services
- **Data Networking Portfolio** for wireless backhaul
  - Minimize data transport leasing costs
  - Simplify/consolidate network operations, more cost-effective way to move large volumes of voice and data traffic
- **Mobile Devices** supplier agreements
  - Interoperability program with third parties
  - Timely and ample supply of mobile phones, PC modem cards and other 3G devices

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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