**LUCENT TECHNOLOGIES,** *headquartered in Murray Hill, N.J., USA, designs and delivers networks for the world's largest communications service providers. Backed by the research and development of Bell Labs, Lucent relies on its strengths in mobility, optical, data and voice networking technologies as well as software and services to develop next-generation networks. The company's systems, services and software are designed to help customers quickly deploy and better manage their networks and create new revenue-generating services that help businesses and consumers.*

## 2001 FINANCIAL HIGHLIGHTS

| *(Dollars in millions, except per share amounts; unaudited)* | *Year ended September 30, 2001*[a] | *Year ended September 30, 2000*[b] | *Change* |
|---|---|---|---|
| **RESULTS OF OPERATIONS (Pro forma)** | | | |
| Revenues | $21,294 | $28,667 | (25.7%) |
| Gross margin | 3,317 | 11,606 | (71.4%) |
| Selling, general and administrative | 6,489 | 5,106 | 27.1% |
| Research and development | 3,520 | 3,167 | 11.1% |
| Operating income (loss) | (6,692) | 3,333 | NM |
| Income (loss) from continuing operations | (4,683) | 2,230 | NM |
| Income (loss) per share from continuing operations[c] | $ (1.39) | $ 0.67 | NM |
| **FINANCIAL POSITION** | | | |
| Total assets | $33,664 | $47,512 | (29.1%) |
| Working capital[d] | 6,339 | 9,746 | (35.0%) |
| Shareowners' equity | 11,023 | 26,172 | (57.9%) |
| **OTHER INFORMATION** | | | |
| Capital expenditures | $ 1,390 | $ 1,915 | (27.4%) |
| Debt to total capital | 28.6% | 19.9% | 8.7 points |
| Stock price | $ 5.73 | $ 30.50 | (81.2%) |

(a) Excludes the impact of business restructuring charges and asset impairments of $11,416, of which $1,259 in inventory write-downs are recorded as a component of costs and are excluded from pro forma gross margin, and $921 of amortization of goodwill and other acquired intangibles. Income taxes are reflected on a pro forma stand-alone basis.

(b) Excludes the impact of $559 of purchased in-process research and development (IPRD) costs associated with the acquisitions of Spring Tide Networks and Chromatis Networks Inc.; $362 of amortization of goodwill and other acquired intangibles; a $189 gain associated with the sale of an equity investment; a $61 charge to operating expenses primarily associated with the mergers with International Network Services, Excel Switching Corporation and Xedia Corporation; and the results of Lucent's Consumer Products business, which was sold in March 2000. Income taxes are reflected on a pro forma stand-alone basis.

(c) As a result of the loss reported from continuing operations for the year ended September 30, 2001, potentially dilutive securities have been excluded from the calculation of loss per share because their effect would reduce the loss per share. Represents diluted earnings per share for the year ended September 30, 2000. In addition, the pro forma loss per share from continuing operations reflects the per share loss applicable to common shareowners for the year ended September 30, 2001, which includes the impact of $28 of preferred dividends and accretion.

(d) Excludes net current assets (liabilities) from discontinued operations of ($405) and $634 for September 30, 2001, and September 30, 2000, respectively.

NM=not meaningful