LUCENT TECHNOLOGIES INC. AND SUBSIDIARIES
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LUCENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; amounts in millions, except per share amounts)

	Three months ended		
	December 31, 2004	**September 30, 2004**	**December 31, 2003**
REVENUES			
Products	$ 1,815	$ 1,888	$ 1,793
Services	520	514	466
Total revenues	2,335	2,402	2,259
COSTS			
Products	961	1,058	981
Services	390	369	359
Total costs	1,351	1,427	1,340
Gross margin	984	975	919
Gross margin %	42%	41%	41%
OPERATING EXPENSES			
Selling, general and administrative, before recovery of bad debts and customer financings	396	390	341
Recovery of bad debts and customer financings	(11)	(27)	(14)
Selling, general and administrative	385	363	327
Research and development	279	319	292
In-process research and development	-	14	-
Business restructuring	1	(5)	29
Total operating expenses	665	691	648
Operating income	319	284	271
Other income (expense), net	(46)	205	79
Interest expense	89	92	113
Income from operations before income taxes	184	397	237
Income taxes	10	(812)	(101)
Net income	174	1,209	338
Conversion expense - 8.00% redeemable convertible preferred stock	-	-	(1)
Preferred dividends and accretion	-	-	12
Net income applicable to common shareowners	$ 174	$ 1,209	$ 349
Basic earnings per share applicable to common shareowners	$ 0.04	$ 0.28	$ 0.08
Diluted earnings per share applicable to common shareowners	$ 0.04	$ 0.23	$ 0.07
Weighted average number of common shares outstanding - basic	4,403	4,310	4,180
Weighted average number of common shares outstanding - diluted	4,998	5,416	5,136

LUCENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited; amounts in millions, except per share amounts)

	December 31, 2004	September 30, 2004
Assets:		
Cash and cash equivalents (a)	$ 2,381	$ 3,379
Marketable securities (a)	1,304	858
Receivables, less allowances of $106 and $110, respectively	1,423	1,359
Inventories	892	822
Other current assets	1,603	1,813
Total current assets	7,603	8,231
Marketable securities (a)	880	636
Property, plant and equipment, net	1,339	1,376
Prepaid pension costs	5,523	5,358
Goodwill and other acquired intangibles, net	430	434
Other assets	912	928
Total assets	$ 16,687	$ 16,963
Liabilities:		
Accounts payable	$ 907	$ 872
Payroll and benefit-related liabilities	813	1,232
Debt maturing within one year	-	1
Other current liabilities	1,962	2,361
Total current liabilities	3,682	4,466
Postretirement and postemployment benefit liabilities	4,879	4,881
Pension liability	1,758	1,874
Long-term debt	4,810	4,837
Liability to subsidiary trust issuing preferred securities	1,152	1,152
Other liabilities	1,123	1,132
Total liabilities	17,404	18,342
Commitments and contingencies		
Shareowners' deficit:		
Common stock (b)	44	44
Additional paid-in capital	23,400	23,005
Accumulated deficit	(20,619)	(20,793)
Accumulated other comprehensive loss	(3,542)	(3,635)
Total shareowners' deficit	(717)	(1,379)
Total liabilities and shareowners' deficit	$ 16,687	$ 16,963

(a) Cash and cash equivalents and marketable securities amounted to $4,565 and $4,873 as of December 31, 2004 and September 30, 2004, respectively.

(b) $0.01 per share par value; 10,000 authorized shares; 4,426 issued and 4,416 outstanding as of December 31, 2004, 4,396 issued and 4,395 outstanding as of September 30, 2004

LUCENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; $ in millions)

	Three months ended		
	December 31, 2004	**September 30, 2004**	**December 31, 2003**
Operating Activities			
Net income	$ 174	$ 1,209	$ 338
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Non-cash portion of business restructuring (reversals) charges	-	-	1
Depreciation and amortization	165	176	168
Recovery of bad debts and customer financings	(11)	(27)	(14)
Deferred income taxes	-	(7)	-
Pension credit	(242)	(280)	(274)
Other adjustments for non-cash items	95	(75)	(3)
Changes in operating assets and liabilities:			
Decrease (increase) in receivables	86	185	(62)
(Increase) decrease in inventories and contracts in process	1	186	124
(Decrease) increase in accounts payable	(93)	(118)	(105)
(Decrease) increase in deferred revenue	(107)	(269)	11
Changes in other operating assets and liabilities	(392)	(641)	(441)
Net cash (used in) provided by operating activities	(324)	339	(257)
Investing Activities			
Capital expenditures	(34)	(63)	(29)
(Purchases) maturities of marketable securities	(695)	13	(160)
Other investing activities	-	52	30
Net cash (used in) provided by investing activities	(729)	2	(159)
Financing Activities			
Net proceeds (repayments) of short-term borrowings	-	(7)	1
Repayments of long-term debt	(21)	(170)	(62)
Issuance of common stock	55	40	76
Repayments of preferred stock	-	-	(21)
Other financing activities	(2)	(23)	-
Net cash provided by (used in) financing activities	32	(160)	(6)
Effect of exchange rate changes on cash and cash equivalents	23	12	32
Net (decrease) increase in cash and cash equivalents	(998)	193	(390)
Cash and cash equivalents at beginning of period	3,379	3,186	3,821
Cash and cash equivalents at end of period	$ 2,381	$ 3,379	$ 3,431

LUCENT TECHNOLOGIES INC. AND SUBSIDIARIES
SUMMARY OF SIGNIFICANT ITEMS IMPACTING RESULTS AND RECONCILIATION OF BASIC TO DILUTED EPS
(Unaudited; $ in millions, except per share amounts)

Significant items impacting results:

	Three months ended		
	December 31, 2004	September 30, 2004	December 31, 2003
Shareowner settlement	$ (71)	$ 118	$ (54)
Payroll related liability reversal	40	-	12
Telica acquisition costs	-	(21)	-
Recovery of bad debts and customer financings	11	27	14
Business restructuring	(1)	5	(29)
Gain on investment	-	-	64
Impact of early extinguishment of convertible securities and debt obligations	-	-	(4)
Discrete income tax impacts	-	873	191
Total	$ (21)	$ 1,002	$ 194
Per share impact - basic	(0.00)	0.23	$ 0.05
Per share impact - diluted	(0.00)	0.19	$ 0.04
The above significant items impacting results were reflected in:			
Gross margin	$ 12	$ -	$ 4
Operating expenses	38	11	(7)
Other income (expense), net	(71)	163	75
Income taxes	-	828	123
Conversion and redemption cost - 8.00% redeemable convertible preferred stock	-	-	(1)
	$ (21)	$ 1,002	$ 194

Reconciliation of basic to diluted EPS:	Three months ended		
	December 31, 2004	September 30, 2004	December 31, 2003
Net income	$ 174	$ 1,209	$ 338
Conversion cost - 8.00% convertible securities	-	-	(1)
Preferred stock dividends and accretion	-	-	12
Net income applicable to common shareowners - basic	$ 174	$ 1,209	$ 349
Adjustment for dilutive securities on net income:			
Interest expense for 2.75% convertible securities	11	11	11
Interest expense for 8.00% convertible securities	-	17	17
Interest expense for 7.75% convertible securities	-	22	-
Net income applicable to common shareowners - diluted	$ 185	$ 1,259	$ 377
Weighted average number of shares outstanding - basic	4,403	4,310	4,180
Effect of dilutive securities:			
Stock options	77	63	60
Warrants	11	-	-
2.75% convertible securities	507	536	596
8.00% convertible securities	-	269	300
7.75% convertible securities	-	238	-
Weighted average number of shares outstanding - diluted	4,998	5,416	5,136
EPS:			
Basic	$ 0.04	$ 0.28	$ 0.08
Diluted	$ 0.04	$ 0.23	$ 0.07

Certain securities have been excluded from the above calculations for all periods presented because the effect of adjusting net income for the related interest and the number of common shares for which they would be converted or redeemed was antidilutive.

LUCENT TECHNOLOGIES INC. AND SUBSIDIARIES
SEGMENT AND PRODUCT INFORMATION
(Unaudited; $ in millions, except per share amounts)

	Three months ended		
	December 31, 2004	September 30, 2004	December 31, 2003
Results by Segment *			
Total Revenues			
Mobility Solutions (Mobility)	$ 1,152	$ 1,156	$ 966
Integrated Network Solutions (INS)	645	696	784
Lucent Worldwide Services (Services)	520	514	466
Other	18	36	43
Total revenues	$ 2,335	$ 2,402	$ 2,259
U.S. Revenues			
Mobility	$ 855	$ 834	$ 640
INS	281	291	411
Services	295	280	256
Other	19	38	43
Total U.S. revenues	$ 1,450	$ 1,443	$ 1,350
Non-U.S. Revenues			
Mobility	$ 297	$ 322	$ 326
INS	364	405	373
Services	225	234	210
Other	(1)	(2)	-
Total non-U.S. revenues	$ 885	$ 959	$ 909
Operating income			
Mobility	$ 390	$ 371	$ 158
INS	23	4	210
Services	74	85	61
Total segment income	487	460	429
Recovery of bad debts and customer financings	11	27	14
Business restructuring	(1)	5	(29)
Other	(178)	(208)	(143)
Total operating income	$ 319	$ 284	$ 271
Products and Services Revenues			
Wireless	$ 1,152	$ 1,156	$ 966
Voice networking	242	296	347
Data and network management	200	224	229
Optical networking	203	176	208
Services	520	514	466
Other	18	36	43
Total revenues	$ 2,335	$ 2,402	$ 2,259

* Segment information for periods prior to fiscal 2005 was reclassified to conform to the current period's presentation.