

Alcatel-Lucent Operational Day 1

December 1st, 2006



Agenda

Who We Are

Keys to Competitiveness

- Innovation
- Integration
- Market Vision

Who We Are

The background features a horizontal band of blue and purple with a fine grid pattern. Below this band, several white, concentric, wavy lines radiate outwards, creating a sense of motion or depth.

Alcatel-Lucent brand identity

Our Logo is a distinctive visual symbol for our company and what we stand for



Industry Leading Portfolio & Business Profile

First truly global communications solutions provider



#1 wireline, #3 mobility, in the top 3 in applications & services

Diversified portfolio of complementary products



A leader in IPTV, NGN / IMS & 3G Spread Spectrum (CDMA & UMTS)

Diverse customer base



1/3 Europe, 1/3 NA, 1/3 RoW
(RoW includes Asia-Pac, Middle East & Africa, Caribbean & Latin America)*

Extensive end-to-end services & support capabilities



Critical capabilities in next-gen network transformation, multi-vendor capability

Enterprise & Government



Serving business critical needs of >250,000 enterprises & governments

** % of CY05 revenues*

Alcatel-Lucent enables 1 out of every 4 connections worldwide (fixed or mobile)

A larger customer base

Service Providers

- *Triple play*
- *Fixed mobile convergence*
- *End-to-end solutions*

Enterprises

- *IP Telephony*
- *Call Centers*
- *Managed Communication Services*

Industry & Public Sector

Solutions for

- *Transportation*
- *Energy*
- *Defense & Security*
- *Public sector*

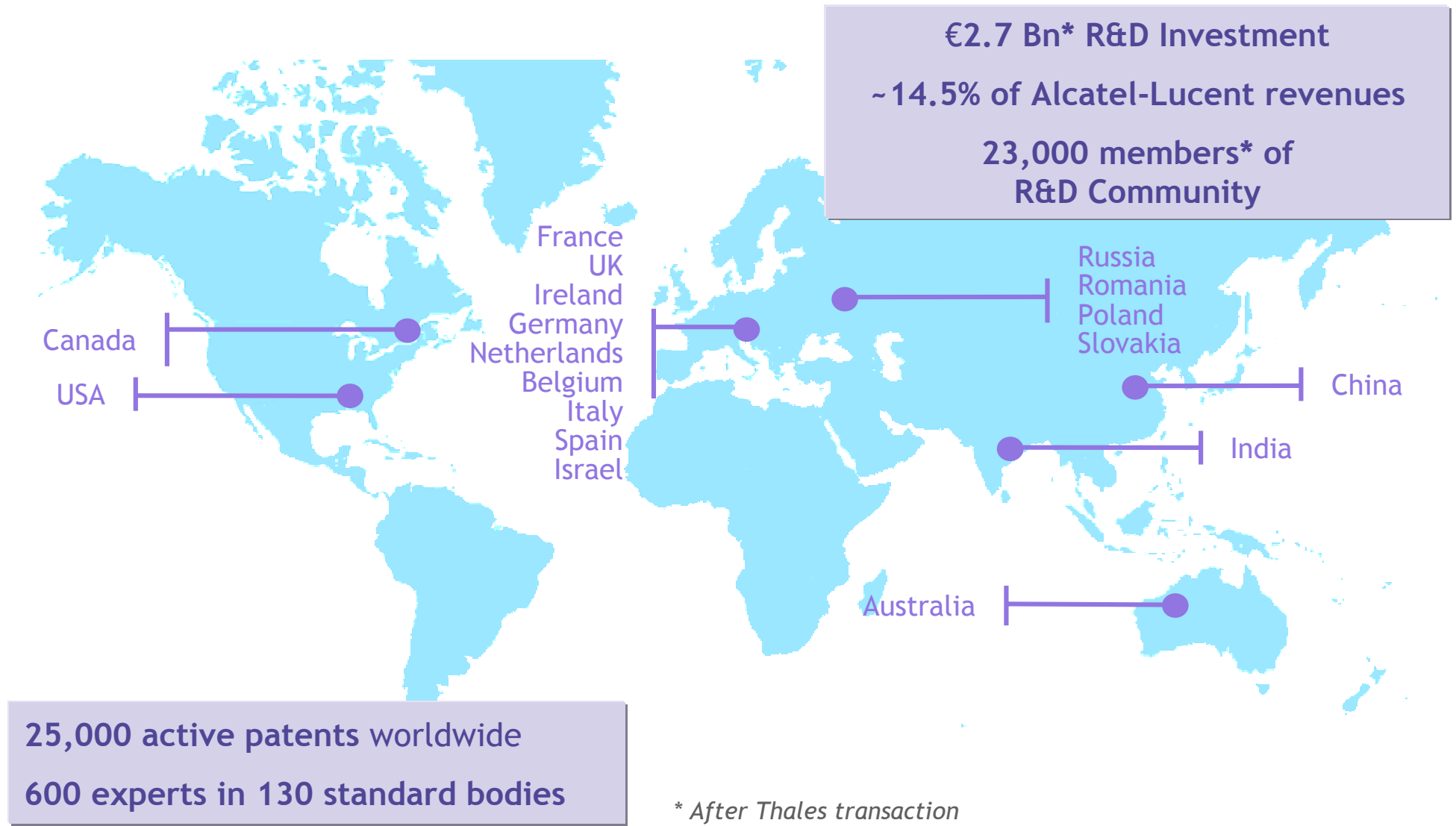


Keys to Competitiveness

Innovation



One of the largest global R&D capabilities in communications



Alcatel-Lucent R&D clusters

Eastern Europe

- Legacy Switching
- Software Development
- Wireless Access

North America

- Data Networking
- Broadband Access
- NGN/IMS solutions
- Optical Networks & Microwave
- Triple Play applications and solutions
- Contact Centers software

Western Europe

- Broadband Access
- NGN / IMS / Triple Play / Mobility applications
- Optical Networks & Microwave
- Enterprise Networking & applications
- Legacy switching

China

- Hardware Optimization (Access / Optics)
- NGN/IMS
- Legacy Switching

India

- Software Development
- NGN
- WiMAX

Worldwide R&D approach

Market & Customer Proximity / Best Competence / Optimized cost

Keys to Competitiveness

Integration



Integration principles

Executing Fast

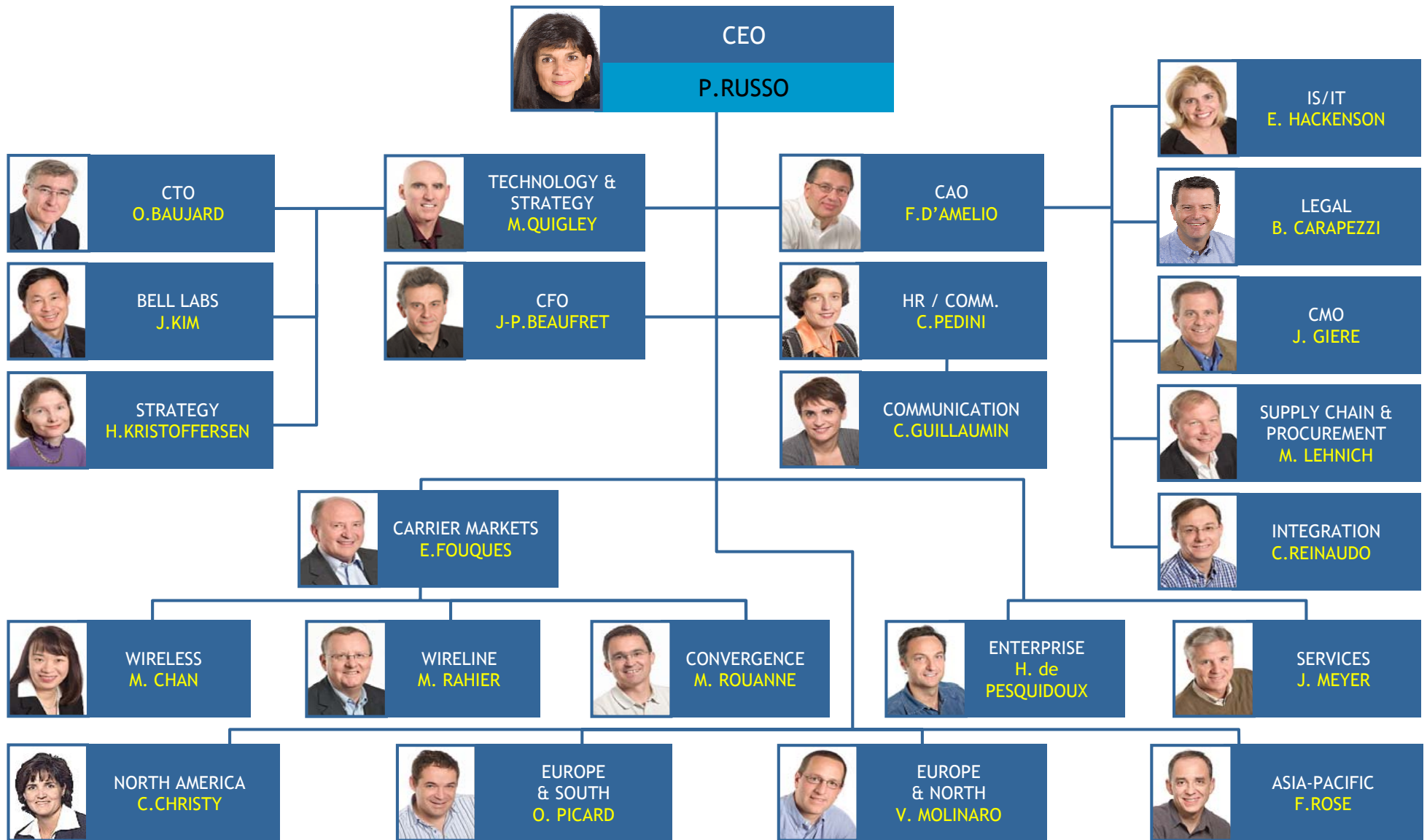
Integration process designed for immediate and complete integration

- Full business integration in all functions began Dec. 1st 2006
- Organization defined and operational as of Dec. 1st 2006
- Sales force trained; customer briefings starting Dec. 1st 2006
- Product & solution strategy defined and ready for implementation
- Synergy plans defined and ready for execution

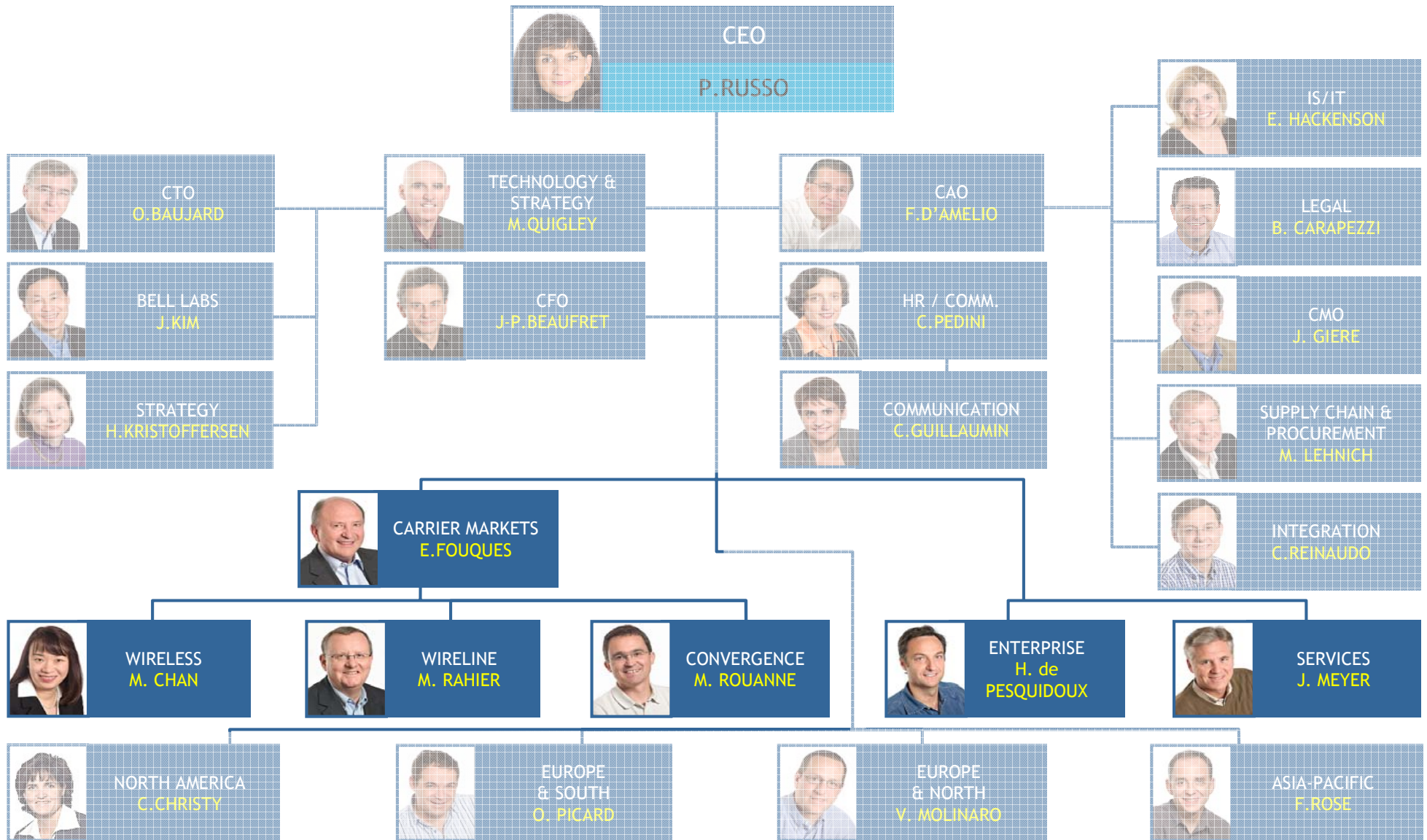
✓ *Pre-tax annual cost savings of approx. €1.4 billion within 3 years*

**Ready for integration of Nortel UMTS radio access
and split of Thales-transaction-related activities**

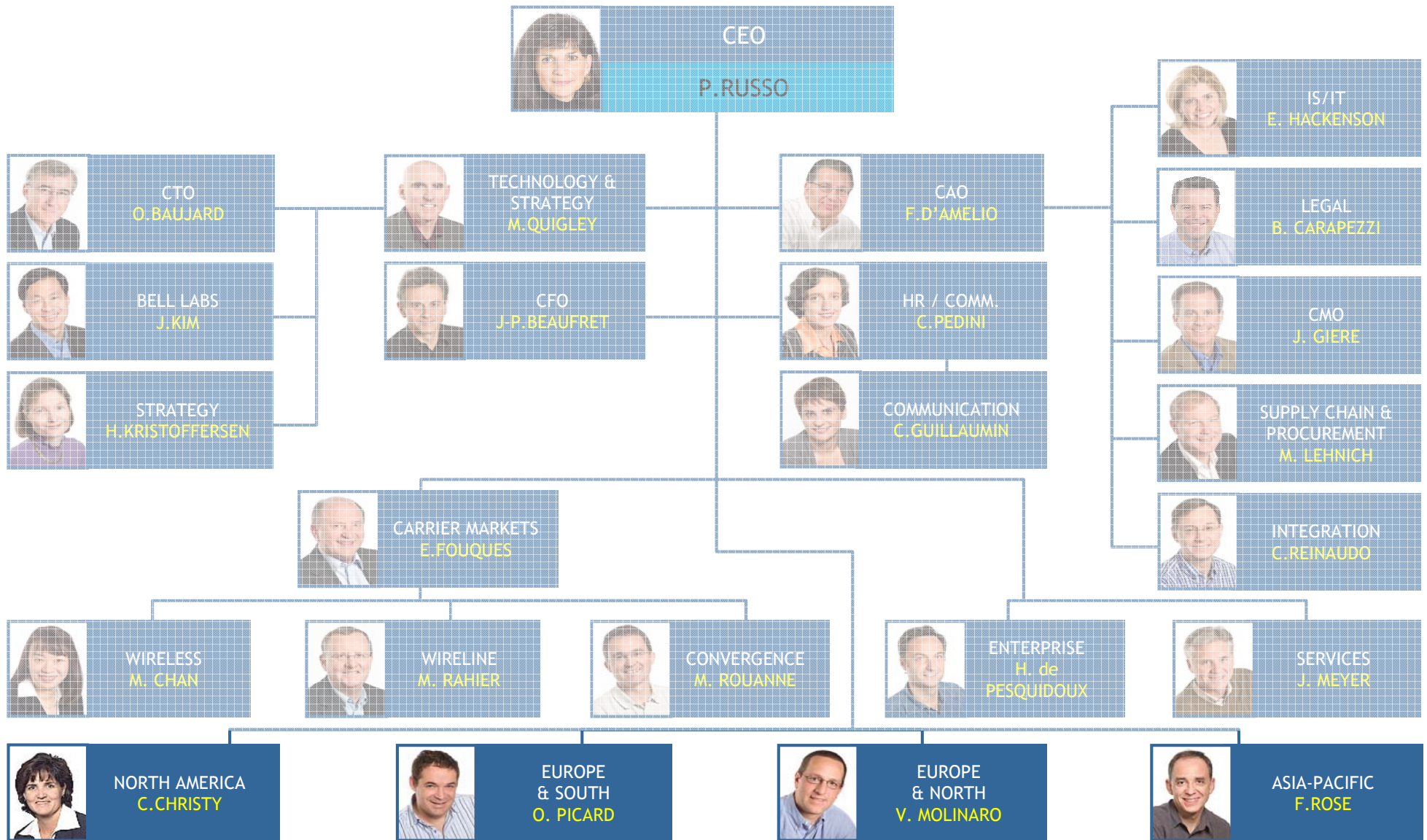
Management Team



Focus on Business Groups



Focus on regions



Keys to Competitiveness

Market Vision



Transforming communications across all major customer segments

Advanced communications markets

Deliver a user-centric experience

High-growth communications markets

Provide broadband for all

Enterprises and government

Enable the new business generation

Transforming communications across all major customer segments

Advanced communications markets

Deliver a user-centric experience

High-growth communications markets

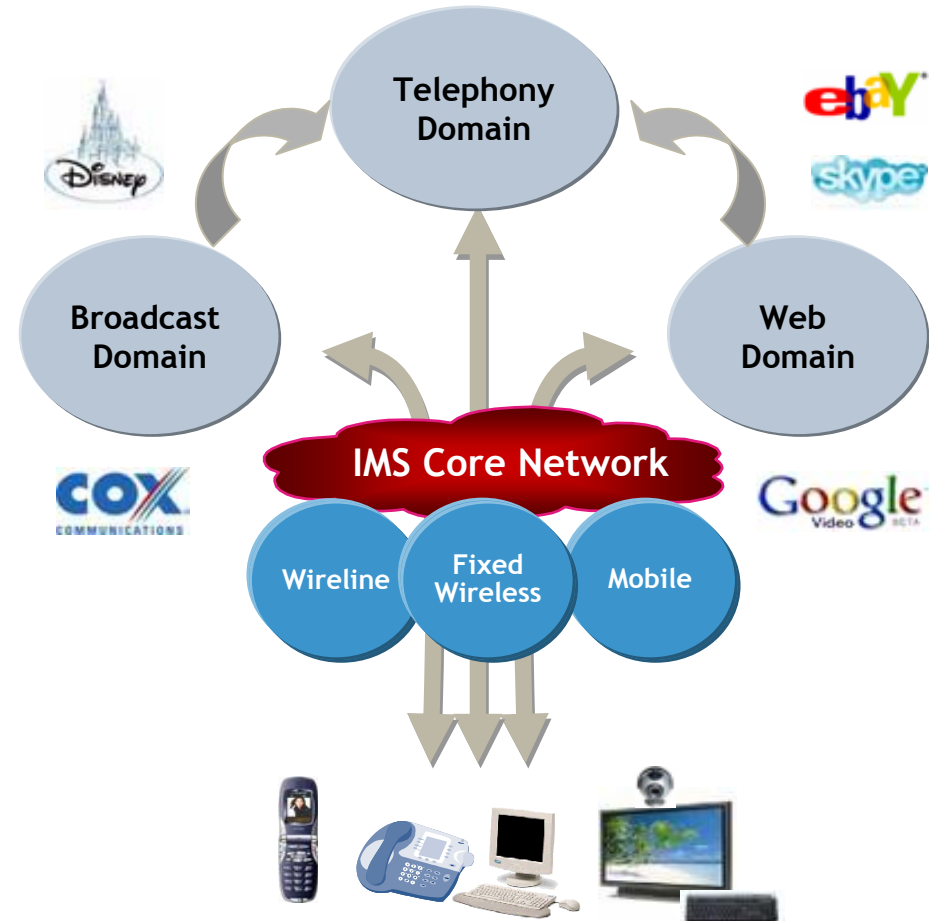
Provide broadband for all

Enterprises and government

Enable the new business generation

A changing environment

- Industries collide over battle for subscribers
- IP democratizes the network
- Commoditization of services drives new business models
- Service bundling is no longer enough for differentiation
- Value shifts from connectivity to **personalized services**
- New cross domain service opportunities
- Quality of experience (QoE) is critical for differentiation



IP has lowered barriers to entry, enabling broader and stronger competition

IP represents a major disruption

IP provides flexibility, simplicity and openness



Dedicated



Any device



Basic services



Rich services



Broadcast



On-demand



Proprietary



Open



Complex



Simple



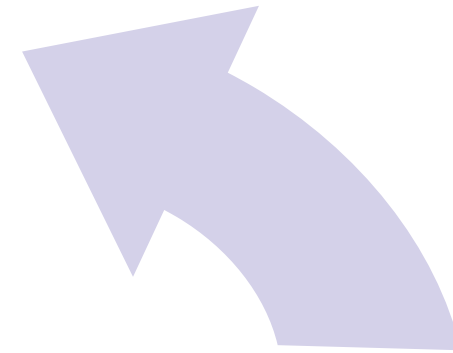
Focus: Transforming the Experience of KPN's Customers

Alcatel-Lucent: Already KPN's IP transformation partner



August 2006

- IP/MPLS solutions
- Service management



Lucent Technologies
Bell Labs Innovations



July-Aug 2006

- IMS solutions
- Service integration

Focus: Growing IPTV market

INDUSTRY CONFIRMS VISION

Regulatory discussions underway in most countries for IPTV
Rights owners release premium content to IPTV
Strong response by Cable MSOs

MARKET CONFIRMS VISION

4.2 million IPTV subs by H1 06, >60% up from YE 05
All Tier 1 European carriers launching services in '06
Accelerated HDTV breakthrough

IPTV users in 25% of DSL households by 2010

Transforming communications across all major customer segments

Advanced communications markets

Deliver a user-centric experience

High-growth communications markets

Provide broadband for all

Enterprises and government

Enable the new business generation

Connecting the next billion: build as you grow !

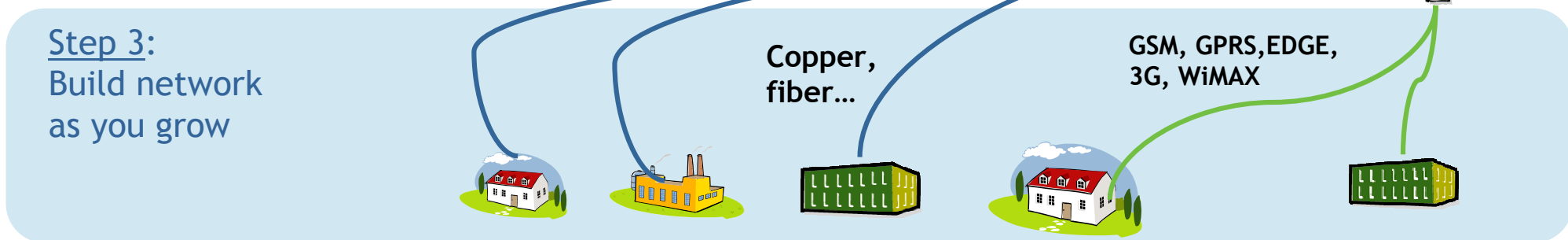
Step 1: Create a first point of presence



Step 2: 3G and WiMAX deployment to connect small businesses and public services



Step 3: Build network as you grow



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Enterprise solutions: what's driving communications?

FOR CIOs: USING THE COMMUNICATIONS NETWORK TO INCREASE COMPETITIVENESS

43% of CIOs believe the biggest change in the role of their department will be to enable better business processes.

Source: Yankee Group

Governance



Compliance

Security



Military Grade

Biz.Process



Continuity

Cost Control



Managed Services

FOR EMPLOYEES: ENABLING EMPOWERMENT AND PRODUCTIVITY

6% of sales deals are lost due to inability to respond in real-time ... even when the information was *already available*.

Source: Alcatel Enterprise Survey 2006 - People, Speed, and Decision-Making

Mobility



Ubiquitous functions

Collaboration



Teamwork

Blended services



Seamless experience

FOR CUSTOMERS: CREATING PROFITABLE AND LASTING RELATIONSHIPS

85% of customers would stop using a company's product or service based on a bad contact center experience.

Source: Genesys Telecom Labs, an Alcatel Company

Real Time



Now

Multimedia



Preferred

Personalized



Absolutely

Key Takeaways

- Clear leader in next-gen networks with a comprehensive portfolio of industry-leading products and services
- Strong, stable and enduring ally for service providers, enterprises and governments around the world
- One of the largest R&D capabilities focused on communications
- Integration planning ensured best of both companies in place for Day 1
- **Uniquely positioned** to transform communications across all major customer segments
 - Delivering a user-centric experience in advanced communications markets
 - Providing broadband for all in high-growth markets
 - Enabling business-critical needs for enterprises and governments

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