SPECIAL NOTICE REGARDING PUBLICLY AVAILABLE INFORMATION

ALCATEL-LUCENT USA INC. (THE "BORROWER") AND ALCATEL-LUCENT (THE "PARENT" AND, TOGETHER WITH ITS CONSOLIDATED SUBSIDIARIES, COLLECTIVELY THE "COMPANY") HAVE REPRESENTED THAT THE INFORMATION CONTAINED IN THIS CONFIDENTIAL INFORMATION MEMORANDUM IS EITHER PUBLICLY AVAILABLE OR DOES NOT CONSTITUTE MATERIAL NON-PUBLIC INFORMATION CONCERNING THE COMPANY, ITS SUBSIDIARIES, AFFILIATES OR ITS OR THEIR RESPECTIVE SECURITIES ("MNPI"). THE RECIPIENT OF THIS CONFIDENTIAL INFORMATION MEMORANDUM HAS STATED THAT IT DOES NOT WISH TO RECEIVE MNPI AND ACKNOWLEDGES THAT OTHER LENDERS HAVE RECEIVED A CONFIDENTIAL INFORMATION MEMORANDUM THAT CONTAINS ADDITIONAL INFORMATION CONCERNING THE COMPANY, ITS SUBSIDIARIES, AFFILIATES OR ITS OR THEIR RESPECTIVE SECURITIES THAT MAY BE MNPI. NEITHER THE COMPANY NOR THE JOINT LEAD ARRANGERS TAKES ANY RESPONSIBILITY FOR THE RECIPIENT'S DECISION TO LIMIT THE SCOPE OF THE INFORMATION IT HAS OBTAINED IN CONNECTION WITH ITS EVALUATION OF THE COMPANY AND THE FACILITIES.

NOTWITHSTANDING THE RECIPIENT'S DESIRE TO ABSTAIN FROM RECEIVING MNPI AND THE COMPANY'S REPRESENTATION THAT THERE IS NO SUCH MNPI IN THIS CONFIDENTIAL INFORMATION MEMORANDUM, THE RECIPIENT ACKNOWLEDGES THAT (1) CERTAIN OF THE INDIVIDUALS LISTED AS CONTACTS IN THIS CONFIDENTIAL INFORMATION MEMORANDUM MAY BE IN RECEIPT OF MNPI OR OTHERWISE HAVE ACCESS TO INFORMATION THAT IS PROVIDED TO LENDERS OR POTENTIAL LENDERS WHO DESIRE TO RECEIVE MNPI AND THAT IF THE RECIPIENT CHOOSES TO COMMUNICATE WITH ANY SUCH INDIVIDUALS THE RECIPIENT ASSUMES THE RISK OF RECEIVING MNPI, (2) INFORMATION OBTAINED AS A RESULT OF BECOMING A LENDER MAY INCLUDE SUCH MNPI, AND (3) IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MNPI AND THAT IT WILL HANDLE SUCH MNPI IN ACCORDANCE WITH APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.

Alcatel·Lucent

Information Memorandum

$1,775m and €250m Senior Secured Credit Facilities

Joint Bookrunners

CREDIT SUISSE

Goldman Sachs

December 2012

Notice to and Undertaking by Recipients

This Confidential Information Memorandum (the "**Confidential Information Memorandum**") has been prepared solely for informational purposes from information supplied by or on behalf of Alcatel-Lucent USA Inc. (the "**Borrower**") and Alcatel-Lucent (the "**Parent**" and, together with its consolidated subsidiaries, collectively, the "**Company**") and is being furnished by Credit Suisse Securities (USA) LLC and Goldman Sachs Bank USA (together, the **"Joint Lead Arrangers**") to you in your capacity as a prospective lender (the "**Recipient**") in considering the proposed Credit Facilities described herein (the "**Facilities**").

ACCEPTANCE OF THIS CONFIDENTIAL INFORMATION MEMORANDUM CONSTITUTES AN AGREEMENT TO BE BOUND BY THE TERMS OF THIS NOTICE AND UNDERTAKING AND THE SPECIAL NOTICE SET FORTH ON THE COVER PAGE HEREOF (THE "SPECIAL NOTICE"). IF THE RECIPIENT IS NOT WILLING TO ACCEPT THE CONFIDENTIAL INFORMATION MEMORANDUM AND OTHER EVALUATION MATERIAL (AS DEFINED HEREIN) ON THE TERMS SET FORTH IN THIS NOTICE AND UNDERTAKING AND THE SPECIAL NOTICE, IT MUST RETURN THE CONFIDENTIAL INFORMATION MEMORANDUM AND ANY OTHER EVALUATION MATERIAL TO THE JOINT LEAD ARRANGERS IMMEDIATELY WITHOUT REVIEWING OR MAKING ANY COPIES THEREOF, EXTRACTS THEREFROM OR USE THEREOF.

I. Confidentiality

As used herein: (a) "**Evaluation Material**" refers to the Confidential Information Memorandum and (b) "**Internal Evaluation Material**" refers to all memoranda, notes, and other documents and analyses developed by the Recipient using any of the information specified under the definition of Evaluation Material.

The Recipient acknowledges that the Company considers the Evaluation Material to include confidential, sensitive and proprietary information and agrees that it shall use the Evaluation Material solely for the purpose of evaluating the Facilities and that it shall use reasonable precautions in accordance with its established procedures to keep the Evaluation Material confidential; provided however that (i) it may make any disclosure of such information to which the Parent or the Borrower gives its prior written consent, (ii) any of such information may be disclosed to it, its affiliates and their respective partners, directors, officers, employees, agents, counsel, auditors, advisors and other representatives (collectively, "**Representatives**") (it being understood that such Representatives shall be informed by it of the confidential nature of such information and shall be directed by the Recipient to treat such information in accordance with the terms of the Notice and Undertaking and the Special Notice) and (iii) it (and each Representative of the Recipient) may make any disclosure to any and all persons, without limitation of any kind, of the U.S. federal income tax treatment and U.S. federal income tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the Recipient (or any Representative of the Recipient) relating to such tax treatment and tax structure, except that the foregoing proviso shall not apply to the extent reasonably necessary to comply with securities laws. The Recipient agrees to be responsible for any breach of the Notice and Undertaking or the Special Notice that results from the actions or omissions of its Representatives.

The Recipient shall be permitted to disclose the Evaluation Material (and the fact that such Evaluation Material has been made available to you and that discussions or negotiations are taking place concerning the Facilities or any of the terms, conditions or other facts with respect thereto) in the event that it is required by law or regulation or requested by any governmental agency or other regulatory authority (including any self-regulatory organization having or claiming to have jurisdiction) or in connection with any legal proceedings. The Recipient agrees that it will notify the Joint Lead Arrangers as soon as practical in the event of any such disclosure (other than at the request of a regulatory authority), unless such notification shall be prohibited by applicable law or legal process.

The Recipient shall have no confidentiality obligation hereunder with respect to any Evaluation Material to the extent that such information (i) is or becomes publicly available other than as a result of a disclosure by the Recipient in violation of this agreement, or (ii) was within the Recipient's possession prior to its being furnished pursuant hereto or becomes available to the Recipient on a non-confidential basis from a source other than the Company or its agents, provided that the source of such information was not known by the Recipient to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or any other party with respect to such information.

In the event that the Recipient of the Evaluation Material decides not to participate in the transaction described herein, upon request of the Company or the Joint Lead Arrangers, such Recipient shall as soon as practicable return all Evaluation Material (other than Internal Evaluation Material) or destroy all copies of the Evaluation Material (other than Internal Evaluation Material) unless prohibited from doing so by the Recipient's internal policies and procedures.

II. Information

The Recipient acknowledges and agrees that (i) the Joint Lead Arrangers received the Evaluation Material from third party sources (including the Company) and it is provided to the Recipient for informational purposes only, (ii) the Joint Lead Arrangers and their affiliates bear no responsibility (and shall not be liable) for the accuracy or completeness (or lack thereof) of the Evaluation Material or any information contained therein, (iii) no representation regarding the Evaluation Material is made by the Joint Lead Arrangers or any of their affiliates, (iv) neither the Joint Lead Arrangers nor any of their affiliates have made any independent verification as to the accuracy or completeness of the Evaluation Material, and (v) the Joint Lead Arrangers and their affiliates shall have no obligation to update or supplement any Evaluation Material or otherwise provide additional information.

The Evaluation Material has been prepared to assist interested parties in making their own evaluation of the Company and the Facilities and does not purport to be all-inclusive or to contain all of the information that a prospective participant may consider material or desirable in making its decision to become a lender. Each Recipient of the information and data contained herein should take such steps as it deems necessary to assure that it has the information it considers material or desirable in making its decision to become a lender and should perform its own independent investigation and analysis of the Facilities or the transactions contemplated thereby and the creditworthiness of the Company. The Recipient represents that it is sophisticated and experienced in extending credit to entities similar to the Company. The information and data contained herein are not a substitute for the Recipient's independent evaluation and analysis and is not, and should not be considered as, a recommendation by the Joint Lead Arrangers or any of their affiliates that any Recipient enter into the Facilities. The Recipient acknowledges that the Joint Lead Arrangers' activities in connection with the Facilities are undertaken by the Joint Lead Arrangers as a principal on an arms-length basis and the Joint Lead Arrangers have no fiduciary, advisory or similar responsibilities in favor of the Recipient in connection with the Facilities or the process related thereto.

This presentation contains forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995, as amended. These forward looking statements include statements regarding the future financial and operating results of Alcatel-Lucent. Words and terms such as "CAGR," (which means "compound annual growth rate"), "2015E," "will," "expects," "looks to," "anticipates," "targets," "projects," "intends," "guidance", "maintain", "plans," "believes," "estimates," "aim," "goal," "outlook," "momentum," "continue," "reach," "confident in," "objective," variations of such words and similar expressions are intended to identify such forward-looking statements which are not statements of historical facts. These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to assess including our planning assumptions up to 2015 set forth herein. Actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements, in particular with regard to product demand for the remainder of the year being as expected, our ability to achieve all the goals of our Performance Program by the end of 2013, our ability to exit unprofitable contracts and market at a reasonable cost, cost and headcount reduction measures generating expected savings, and the economic climate in the world in general, and in Europe in particular with the euro crisis.

These risks and uncertainties are also based upon a number of factors including, among others: our ability to realize the full value of our existing and future patent portfolio in a complex technological environment (including our ability to defend ourselves in infringement suits), our ability to operate effectively in a highly competitive industry and to correctly identify and invest in the technologies that become commercially accepted, demand for our legacy products and the technologies we pioneer, the timing and volume of network roll-outs and/or product introductions, difficulties and/or delays in our ability to execute on our strategic plans, our ability to efficiently co-source or outsource certain business processes and more generally control our costs and expenses, the risks inherent in long-term sales agreements, exposure to the credit risk of customers or foreign exchange fluctuations, reliance on a limited number of suppliers for the components we need or a tight market for commodity components, the social, political and economic risks we may encounter in any region of our global operations, the costs and risks associated with pension and postretirement benefit obligations and our ability to avoid unexpected contributions to such plans, changes to existing regulations or technical standards, existing and future litigation, compliance with environmental, health and safety laws, the global economic situation and of those geographical areas where we are most active, and the impact of each of these factors on our results of operations and cash.

For a more complete list and description of such risks and uncertainties, refer to Alcatel-Lucent's Annual Report on Form 20-F for the year ended December 31, 2011, as well as other filings by Alcatel-Lucent with the US Securities and Exchange Commission.

There is no assurance that the transactions described herein, including the financing, will be consummated as it is subject to a number of variables which include market, and satisfaction of closing, conditions.

Statements herein are made as of the date on the cover of this document unless an earlier date is indicated.

III. The Joint Lead Arrangers

The Joint Lead Arrangers (together with their affiliates) are full service financial institutions engaged in various activities, which may include loan and securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Joint Lead Arrangers and/or one or more of their respective affiliates may have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Company and/or its affiliates.

In the ordinary course of their various business activities, the Joint Lead Arrangers and/or their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve assets, securities and/or instruments of the Company and/or its affiliates. The Joint Lead Arrangers and/or their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Except for certain limited information provided in writing or verbally by or on behalf of representatives of the Company and its affiliates, the legal due diligence investigation conducted by the advisors of the joint lead arrangers has been principally limited to publicly available information obtained from public filings of the Parent.

The Joint Lead Arrangers and/or one or more of their affiliates may provide loans under the Facilities for their own accounts and such loans may comprise, individually or in the aggregate, a substantial portion of the Facilities. Certain of such affiliates may commit, subject to certain terms and conditions, to provide such loans prior to commencement of the syndication of the Facilities, at a price and on terms agreed between such affiliates and the Company.

In connection with the Facilities, the Company will pay certain fees, including commitment fees, to the Joint Lead Arrangers, as well as fees or discounts payable or given to the Joint Lead Arrangers and/or certain of their affiliates in consideration for their respective commitments to provide loans, which commitments were made to the Company in advance of the commencement of the general syndication of the Facilities.

IV. General

It is understood that unless and until a definitive agreement regarding the Facilities between the parties thereto has been executed by the Recipient, the Recipient will be under no legal obligation of any kind whatsoever with respect to the Facilities by virtue of this Notice and Undertaking except for the matters specifically agreed to herein and in the Special Notice.

The Recipient agrees that money damages would not be a sufficient remedy for breach of this Notice and Undertaking or of the Special Notice, and that in addition to all other remedies available at law or in equity, the Company and the Joint Lead Arrangers shall be entitled to equitable relief, including injunction and specific performance, without proof of actual damages.

This Notice and Undertaking and the Special Notice together embody the entire understanding and agreement between the Recipient and the Joint Lead Arrangers with respect to the Evaluation Material and the Internal Evaluation Material. The terms and conditions of this Notice and Undertaking and the Special Notice shall apply until such time, if any, that the Recipient becomes a party to the definitive agreements regarding the Facilities, and thereafter the provisions of such definitive agreements relating to confidentiality shall govern. If you do not enter into the Facilities, the application of this Notice and Undertaking and the Special Notice shall terminate with respect to all Evaluation Material on the date falling one year after the date of the Confidential Information Memorandum.

This Notice and Undertaking and the Special Notice shall be governed by and construed in accordance with the law of the State of New York, without regard to principles of conflicts of law.

V. Non-GAAP Financial Measures

Adjusted Operating income is defined as the Income (loss) from operating activities before restructuring costs, litigations, gain / (loss) on disposal of consolidated entities and post-retirement benefit plan amendments excluding purchase price allocation entries related to the Lucent business combination. The adjusted operating income is also called Segment operating income and is reconciled with the Income (loss) from operating activities before restructuring costs, litigations, gain / (loss) on disposal of consolidated entities and post-retirement benefit plan amendments in the note 5-b of the 2011 annual report on Form 20F.

We present "adjusted EBITDA" in this presentation which is a non-GAAP measure. We calculate adjusted EBITDA as adjusted operating profit (which is operating profit adjusted for purchase price allocation entries related to Lucent business combination) before interest expense, tax expense, depreciation and amortization (excluding PPA adjustments), share-based payments, and other non-cash items included in the adjusted operating profit such as employee benefits accrual, product sales reserves, inventory reserves, general risk reserves, capital gains, valuation allowance for bad debt, and other items.

Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by total operating revenues. Adjusted EBITDA and Adjusted EBITDA margin should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS. Our management uses Adjusted EBITDA and Adjusted EBITDA margin as supplemental performance measures and believes that Adjusted EBITDA and Adjusted EBITDA margin provide useful information to investors because they are indicators of the strength and performance of the Company's business operations, including its ability to fund discretionary spending, such as capital expenditures, acquisitions and other investments, as well as indicating its ability to incur and service debt. Our Adjusted EBITDA measures may not be directly comparable to other companies' reported Adjusted EBITDA due to variances and adjustments in the components of Adjusted EBITDA (including our calculation of Adjusted EBITDA) or calculation measures.

We have provided a reconciliation of Adjusted EBITDA to adjusted operating profit at the end of this presentation.

"Gross Margin" refers to revenues less the cost of goods sold.

Table of Contents

List of Figures

List of Tables

CREDIT SUISSE

Goldman Sachs

I. Authorization Letter

Credit Suisse Securities (USA) LLC
Eleven Madison Avenue
New York, NY 10010

Goldman Sachs Bank USA
200 West Street
New York, NY 10282

14 December 2012

Ladies and Gentlemen:

We refer to the proposed Senior Secured Credit Facilities (the "**Facilities**") for Alcatel-Lucent USA Inc. (the "**Borrower**" and, together with Alcatel-Lucent, the "**Company**") that you are arranging at our request, and the Confidential Information Memorandum forwarded herewith (the "**Confidential Information Memorandum**"). We have reviewed or participated in preparing the Confidential Information Memorandum and the information contained therein.

The Company has reviewed the information contained in the Confidential Information Memorandum and represents and warrants to you that the information contained in the Confidential Information Memorandum is complete and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not materially misleading. Any management projections or forward-looking statements included in the Confidential Information Memorandum are based on assumptions and estimates developed by management of the Company in good faith and management believes such assumption and estimates to be reasonable as of the date of the Confidential Information Memorandum. Whether or not such projections or forward looking statements are in fact achieved will depend upon future events some of which are not within the control of the Company. Accordingly, actual results may vary from the projections and such variations may be material. The projections included in the Confidential Information Memorandum should not be regarded as a representation by the Company or its management that the projected results will be achieved.

The Company represents and warrants that the information contained in the Confidential Information Memorandum is either publicly available information or not material information (although it may be sensitive and proprietary) with respect to the Company, its subsidiaries, affiliates or their respective securities for purposes of United States federal and state securities laws.

We request that you distribute the Confidential Information Memorandum to such financial institutions as you may deem appropriate to include in the Facilities. We agree that we will rely on, and that you are authorized to rely on, the undertakings, acknowledgments and agreements contained in the Notice to and Undertaking by Recipients accompanying the Confidential Information Memorandum or otherwise acknowledged by recipients of the Confidential Information Memorandum.

Yours sincerely,

Alcatel-Lucent USA Inc.
Alcatel-Lucent

By: Paul Tufano

Paul Tufano

Chief Financial Officer, Alcatel-Lucent
Authorized Signatory, Alcatel-Lucent USA Inc.

II. Contact List

Company/Address	Business Contact Details	
Credit Suisse **One Cabot Square** **London E14 4QJ** **Eleven Madison Avenue** **New York NY 10010-3629** **25 Avenue Kléber** **Paris 75784**		
European Leveraged Finance Origination		
Craig Klaasmeyer *Head of EMEA Leveraged Finance Origination* *Managing Director, London*	Tel: Mob: E-mail:	+44-20-7883-2292 +44-77-6993-2634 craig.klaasmeyer@credit-suisse.com
Fabien Antignac *Managing Director, Paris*	Tel: Mob: E-mail:	+33-1-7039-0040 +33-6-7075-1110 fabien.antignac@credit-suisse.com
Gerald Tee *Vice President, London*	Tel: Mob: E-mail:	+44-20-7883-9216 +44-77-8685-3053 gerald.tee@credit-suisse.com
David Escalante-Garcia *Associate, Paris*	Tel: Mob: E-mail:	+33-1-7039-00-23 +33-6-7847-2054 david.escalante-garcia@credit-suisse.com
Erik Wetter *Analyst, London*	Tel: Mob: E-mail:	+44-20-7888-9476 +44-78-3340-4116 erik.wetter@credit-suisse.com
US Leveraged Finance Origination		
Phil Jacob *Global Head of Leveraged Finance Origination* *Managing Director, New York*	Tel: Mob: E-mail:	+1-212-538-7018 +1-917-716-6112 phil.jacob@credit-suisse.com
Paul Lussow *Director, New York*	Tel: Mob: E-mail:	+1-212-538-1136 +1-917-697-2037 paul.lussow@credit-suisse.com
Alexian Lien *Vice President, New York*	Tel: Mob: E-mail:	+1-212-325-4005 +1-650-868-2147 alexian.lien@credit-suisse.com
Telecom, Media and Technology Coverage		
Brian Griffiths *Head of the Enterprise and Communication Systems Business* *Managing Director, New York*	Tel: Mob: E-mail:	+1-212-538-0031 +1-917-318-5654 brian.griffiths@credit-suisse.com
Philippe Cerf *Co-Head of the EMEA Telecom, Media and Technology Group* *Co-Head of M&A in France and Belux* *Managing Director, London*	Tel: Mob: E-mail:	+44-20-7883-6313 +44-7802-895-842 philippe.cerf@credit-suisse.com
Laurence Hainault *Managing Director, Paris*	Tel: Mob: E-mail:	+33-1-7039-0005 +33-6-4825-0508 laurence.hainault@credit-suisse.com
David Morin *Associate, London*	Tel: Mob: E-mail:	+44-20-7888-9418 +44-79-2008-5220 david.morin@credit-suisse.com
Jia Pan *Analyst, London*	Tel: Mob: E-mail:	+44-20-7888-9359 +44-79-2008-2337 jia.pan@credit-suisse.com

Company/Address	Business Contact Details	
Credit Suisse **One Cabot Square** **London E14 4QJ** **Eleven Madison Avenue** **New York NY 10010-3629** **25 Avenue Kléber** **Paris 75784**		
US Capital Markets		
Jeff Cohen *Co-Head of US Syndicated Loan Capital Markets* *Managing Director, New York*	Tel: Mob: E-mail:	+1-212-325-7455 +1-917-455-4258 jeffrey.a.cohen@credit-suisse.com
Ryan Williams *Associate, New York*	Tel: Mob: E-mail:	+1-212-538-9568 +1-917-373-3643 ryan.williams@credit-suisse.com
European Capital Markets		
Mathew Cestar *Head of Leveraged Finance EMEA* *Managing Director, London*	Tel: Mob: E-mail:	+44-20-7888-6269 +44-77-7022-1151 mathew.cestar@credit-suisse.com
Abudy Taha *Managing Director, London*	Tel: Mob: E-mail:	+44-20-7888-0023 +44-78-0320-4473 abudy.taha@credit-suisse.com
Shane O’Driscoll *Associate, London*	Tel: Mob: E-mail:	+44-20-7888-5228 +44-79-0091-8056 shane.o'driscoll@credit-suisse.com
US Corporate Banking		
Robert Hetu *Managing Director, New York*	Tel: Mob: E-mail:	+1-212-325-4542 +1-917-685-7596 robert.hetu@credit-suisse.com
Alex Verdone *Associate, New York*	Tel: Mob: E-mail:	+1-212-325-0703 +1-718-406-5228 alex.verdone@credit-suisse.com
European Corporate Banking		
Garrett Lynskey *Director, London*	Tel: Mob: E-mail:	+44-20-7883-8879 +44-77-6967-7620 garrett.lynskey@credit-suisse.com
Brian Fitzgerald *Vice President, London*	Tel: Mob: E-mail:	+44-20-7883-2964 +44-79-2020-6931 brian.fitzgerald@credit-suisse.com
Rating Advisory		
Sandra Veseli *Head of Ratings Advisory* *Director, London*	Tel: Mob: E-mail:	+44-20-7883-2674 +44-78-9908-3997 sandra.veseli@credit-suisse.com

Company/Address	Business Contact Details	
Credit Suisse **One Cabot Square** **London E14 4QJ** **Eleven Madison Avenue** **New York NY 10010-3629** **25 Avenue Kléber** **Paris 75784**		
Syndicated Loan Group – Sales and Trading		
Joe Friedman *Managing Director, New York*	Tel: E-mail:	+1-212-538-0731 joe.friedman@credit-suisse.com
Jed Kelly *Managing Director, New York*	Tel: E-mail:	+1-212-538-5556 jed.kelly@credit-suisse.com
Matthew Tuck *Managing Director, New York*	Tel: E-mail:	+1-212-325-9915 matthew.tuck@credit-suisse.com
John Bown *Managing Director, New York*	Tel: E-mail:	+1-212-538-2478 john.bown@credit-suisse.com
Bill Bermont *Director, New York*	Tel: E-mail:	+1-212-538-6310 bill.bermont@credit-suisse.com
Jodi Joskowitz *Director, New York*	Tel: E-mail:	+1-212-538-3116 jodi.joskowitz@credit-suisse.com
Tom Mullarkey *Director, New York*	Tel: E-mail:	+1-212-538-5839 tom.mullarkey@credit-suisse.com
Brian Bowden *Director, New York*	Tel: E-mail:	+1-212-325-6851 brian.bowden@credit-suisse.com
Chris Born *Associate, New York*	Tel: E-mail:	+1-212-325-6708 chris.born@credit-suisse.com
Will Rogers *Associate, New York*	Tel: E-mail:	+1-212-538-0490 will.rogers@credit-suisse.com
Charles Bennett *Managing Director, London*	Tel: E-mail:	+44-20-7888-1989 charles.bennett@credit-suisse.com
Marc Pereira-Mendoza *Managing Director, London*	Tel: E-mail:	+44-20-7888-7764 marc.pereira-mendoza@credit-suisse.com
Emma Balaam *Managing Director, London*	Tel: E-mail:	+44-20-7888-8188 emma.balaam@credit-suisse.com

Company/Address	Business Contact Details	
Goldman Sachs International **2 Rue De Thann** **Paris, 75017** **Peterborough Court** **133 Fleet Street** **London, EC4A 2BB** **200 West Street,** **New York, 10004**		
European Leveraged Finance		
Littleton Glover *Head of EMEA TMT Leveraged Finance* *Managing Director, London*	Tel: Mob: E-mail:	+44-20-7552-4028 +44-79-1775-1946 littleton.glover@gs.com
Anne Russ *Executive Director, New York*	Tel: Mobile: E-mail:	+1-212-902-2779 +1-347-301-4915 anne.russ@gs.com
Sanna Weiss *Associate, London*	Tel: Mob: E-mail:	+44-20-7051-0619 +44-79-4223-4739 sanna.weiss@gs.com
Eleonora Astori *Analyst, London*	Tel: Mob: E-mail:	+44-20-7774-9055 +44-75-9286-2929 eleonora.astori@gs.com
Jordan Angelos *Analyst, New York*	Tel: Mobile: E-mail:	+1-212-902-7588 +1-614-270-8813 jordan.angelos@gs.com
Credit Capital Markets & Syndication		
Tom Stein *Managing Director, New York*	Tel: Mob: E-mail:	+1-212-902-4880 +1-203-313-7606 tom.stein@gs.com
Dominic Ashcroft *Managing Director, London*	Tel: Mob: E-mail:	+44-20-7774-0923 +44-78-0194-5730 dominic.ashcroft@gs.com
David Kirby *Associate, New York*	Tel: Mob: E-mail:	+1-212-357-0331 +1-347-556-1095 david.kirby@gs.com
Anupam Parnaik *Analyst, London*	Tel: Mob: E-mail:	+44-20-7774-9935 +44-75-4009-2789 anupam.parnaik@gs.com
M&A Advisory		
Gregg Lemkau *Head of M&A, EMEA and Asia* *Managing Director, London*	Tel: Mob: E-mail:	+44-20-7774-9782 +44-78-2459-9200 gregg.lemkau@gs.com

Company/Address	Business Contact Details	
Goldman Sachs International **2 Rue De Thann** **Paris, 75017** **Peterborough Court** **133 Fleet Street** **London, EC4A 2BB** **200 West Street,** **New York, 10004**		
France Coverage		
Vincent Catherine *Managing Director, Paris*	Tel: Mob: E-mail:	+33-1-4212-1641 +33-6-7842-9068 vincent.catherine@gs.com
Technology Media and Telecom Advisory		
Ryan Limaye *Managing Director, San Francisco*	Tel: Mob: E-mail:	+1-415-249-7178 +1-650-269-7211 ryan.limaye@gs.com
Jason Rowe *Managing Director, New York*	Tel: Mob: E-mail:	+1-212-902-4661 +1-917-620-3213 jason.rowe@gs.com
Valentin Pitarque *Executive Director, London*	Tel: Mob: E-mail:	+44-20-7552-4935 +44-77-8068-7438 valentin.pitarque@gs.com
Malte Dummel *Associate, London*	Tel: Mob: E-mail:	+44-20-7774-4225 +44-79-6123-4954 malte.dummel@gs.com
Alain Benarous *Analyst, London*	Tel: E-mail:	+44-20-7552-4338 alain.benarous@gs.com
Restructuring Finance		
Roopesh Shah *Managing Director, London*	Tel: Mobile: E-mail:	+44-20-7774-2545 +44-77-7154-8347 roopesh.shah@gs.com
Rating Advisory		
Pierre Chavenon *Managing Director, London*	Tel: Mob: E-mail:	+44-20-7774-0084 +44-79-2020-6742 pierre.chavenon@gs.com
Vincent King *Associate, London*	Tel: Mob: E-mail:	+44-20-7774-3623 +44-78-2607-1323 vincent.king@gs.com

Company/Address	Business Contact Details
Goldman Sachs International **2 Rue De Thann** **Paris, 75017** **Peterborough Court** **133 Fleet Street** **London, EC4A 2BB** **200 West Street,** **New York, 10004**	
Syndicated Loan Group – Sales and Trading	
Anne Brennan Managing Director, New York	Tel: +1-212-902-9757 E-mail: anne.brennan@gs.com
Kara Johnston *Managing Director, New York*	Tel: +1-212-357-7870 E-mail: kara.johnston@gs.com
Craig Campbell *Vice President, New York*	Tel: +1-212-902-0966 E-mail: craig.campbell@gs.com
Andy Breiner *Vice President, New York*	Tel: +1-212-357-0757 E-mail: andrew.breiner@gs.com
Marisa Leister *Vice President, New York*	Tel: +1-212-902-5290 E-mail: marisa.leister@gs.com
Joshua Lonsk *Vice President, New York*	Tel: +1-212-902-8474 E-mail: josh.lonsk@gs.com
Cameron Arrington *Vice President, New York*	Tel: +1-212-357-7868 E-mail: cameron.arrington@gs.com
Keith Zusi *Vice President, New York*	Tel: +1-212-357-7881 E-mail: keith.zusi@gs.com
Jen Wolf *Analyst, New York*	Tel: +1-212-902-0218 E-mail: jen.wolf@gs.com
KC O'Connor *Analyst, New York*	Tel: +1-212-357-6493 E-mail: kc.o'connor@gs.com
Atosa Moini *Managing Director, London*	Tel: +44-20-7552-5139 E-mail: atosa.moini@gs.com
Tarequl Islam *Managing Director, London*	Tel: +44-20-7051-0979 E-mail: tarequl.islam@gs.com
Marc d'Andlau *Managing Director, London*	Tel: +44-20-7552-1360 E-mail: marc.dandlau@gs.com

Company/Address	Business Contact Details
Goldman Sachs International **2 Rue De Thann** **Paris, 75017** **Peterborough Court** **133 Fleet Street** **London, EC4A 2BB** **200 West Street,** **New York, 10004**	
Syndicated Loan Group – Sales and Trading	
Alister Morrison *Executive Director, London*	Tel: +44-20-7774-5403 E-mail: alister.morrison@gs.com
Owen Hereford *Executive Director, London*	Tel: +44-20-7051-0105 E-mail: owen.hereford@gs.com

CREDIT SUISSE

Goldman Sachs

III. Transaction Overview

1) Overview of the Transaction

Alcatel-Lucent (the "Parent" and, together with its consolidated subsidiaries, "Alcatel-Lucent" or the "Company"), together with its subsidiaries, is a major global communications solutions provider with strong market positions in IP, optics and 4G wireless. Alcatel-Lucent is a leading innovator in the field of networking and communications technology, products and services. The Company is home to Bell Labs, one of the world's foremost research centers, responsible for breakthroughs that have shaped the networking and communications industry. As of LTM ending September 2012, the Company reported revenues and Adjusted EBITDA of €14.5bn and €689m, respectively.

Alcatel-Lucent USA Inc. (the "Borrower") intends to raise $500 million through an Asset Sale Facility and an additional $1,275 million and €250 million of Senior Secured Term Loans (together the "Senior Secured Credit Facilities") to refinance (through a public tender or open market repurchases or at maturity) near-term debt maturities maturing ahead of the Senior Secured Term Loans, for working capital purposes and for general corporate purposes. As part of the transaction, the existing unsecured revolving credit facility maturing in April 2013 will be terminated.

Total senior secured leverage will be 2.4x pro forma for the transaction, based on LTM September 2012 Adjusted EBITDA of €689 million.

The table below illustrates the total sources and uses of funds at close of the transaction.

2) Sources and Uses

Sources	€m	$m	Uses	€m	$m
New Asset Sale Facility	387	500	Cash on Balance Sheet	1,550	2,004
New Senior Secured Term Loan (US$)	986	1,275	Transaction Fees and Expenses	73	94
New Senior Secured Term Loan (EUR)	250	323			
Total Sources	**1,623**	**2,098**	**Total Uses**	**1,623**	**2,098**

3) Pro Forma Capital Structure

		Q3 2012		Pro Forma					xLTM Q3 2012
in € millions	**Call / Put**	**Amount[1]**	**Adjustment**	**€m**	**$m**	**Cum. %**	**Coupon**	**Maturity**	**Adj. EBITDA**
New Asset Sale Facility		-	387	387	500	6.0%	TBD	Jun-2016	0.6 x
New Senior Secured Term Loan (US$)		-	986	986	1,275	21.4%	TBD	Dec-2018	1.4 x
New Senior Secured Term Loan (EUR)		-	250	250	323	25.3%	TBD	Dec-2018	0.4 x
Alcatel Lucent USA Holdings Inc.									
2.875% Series A due Jun-2023	Callable @100%	75	0	75	97	26.5%	2.875%	Jun-2023	0.1 x
2.875% Series B due Jun-2025	Put/Call Jun-2013	619	0	619	800	36.1%	2.875%	Jun-2025	0.9 x
7.75% due Mar-2017	Callable @100%	747	0	747	966	47.8%	7.750%	Mar-2017	1.1 x
6.50% due Jan-2028	NCL	209	0	209	270	51.0%	6.500%	Jan-2028	0.3 x
6.45% due Mar-2029	NCL	947	0	947	1,224	65.8%	6.450%	Mar-2029	1.4 x
Total ALU USA Debt		**2,597**		**4,220**	**5,456**	**65.8%**			**6.1 x**
Alcatel Lucent									
Revolver (€837m Undrawn)	None	0	0	0	0		E + 100bps	Apr-2013	0.0 x
6.375% EUR due Apr-2014	NCL	462	0	462	597	73.0%	6.375%	Apr-2014	0.7 x
Oceane 5.0% due Jan-2015	NCL[2]	1,000	0	1,000	1,293	88.6%	5.000%	Jan-2015	1.5 x
8.50% Sr Notes due Jan-2016	NCL	500	0	500	647	96.4%	8.500%	Jan-2016	0.7 x
Other Financial Debt		230	0	230	297	100.0%			0.3 x
Total ALU Debt		**2,192**		**2,192**	**2,834**	**100.0%**			**3.2 x**
Total Secured Debt		**0**		**1,623**	**2,098**	**25.3%**			**2.4 x**
Total Debt		**4,789**		**6,412**	**8,290**	**100.0%**			**n.m.**
Cash on Balance Sheet[3]		(4,705)	(1,550)	(6,255)	(8,087)				n.m.
Net Debt / (Cash)		**84**		**157**	**203**				**0.2 x**
LTM Q3 2012 Adjusted EBITDA									**689**

Source: Q3 2012 and FY2011 Company filings, Company Bond Prospectus
Note: 1.293 USD / EUR exchange rate assumed. Red highlight indicates targeted tranches for refinancing from use of proceeds from New Senior Secured Credit Facilities Debt tranches reported at accounting value as per Company consolidated financial statements

[1] *Q3 2012 US$ bond amounts reflect the currency translation impact due to US$/EUR exchange rate moves.*
[2] *Callable from Jan-2014, if the trading value of shares exceeds EUR4.2/share or less than 15% of the notes remain outstanding.*
[3] *Cash on balance sheet includes cash and cash equivalents together with short term marketable securities as reported by the Company. Includes restricted cash and cash equivalents of €816m as of Q3 2012 (and restricted cash, cash equivalents and marketable securities of €1.185bn as of Q3 2012, in countries subject to exchange control restrictions).*

Proceeds from the Senior Secured Credit Facilities will be used for working capital purposes including to refinance (through a public tender offer or open market repurchases given securities are non call life, or alternatively at maturity) existing near term debt maturities including

- €619m 2.875% Series B Convertible Debentures which could be redeemed at the option of investors in June 2013
- €75m 2.875% Series A Convertible Debentures which could be redeemed at the option of investors in June 2015
- €462m 6.375% Senior Unsecured Notes due April 2014
- €1,000m 5.000% OCEANE Senior Unsecured Convertible Bonds due January 2015
- €500m 8.500% Senior Unsecured Notes due April 2016

The existing unsecured revolving credit facility will be terminated in connection with the transaction.

4) Appropriate Liquidity and Maturity Profile to Execute Plan

The proposed transaction creates the flexibility for the delivery of the refined strategy as well as operational excellence. As of Q3 2012, the Company had €4.7bn of cash and liquid assets. Pro forma for the transaction, this liquidity buffer will increase to €6.3bn, allowing the Company to pro-actively manage its near term debt maturities. In addition, the Company is considering disposing of non-core assets and expects proceeds between €1bn and €1.5bn.

Thus, this transaction, combined with the strategic refocus and operational improvements, creates the strategic and operational flexibility for the business to un-lock value and return to profitability and positive cash generation.

Figure 1: Current Debt Maturity Profile

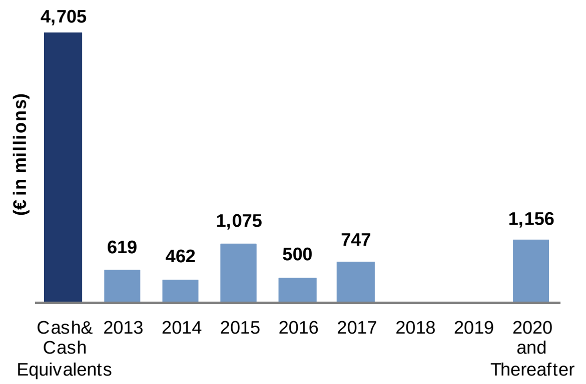
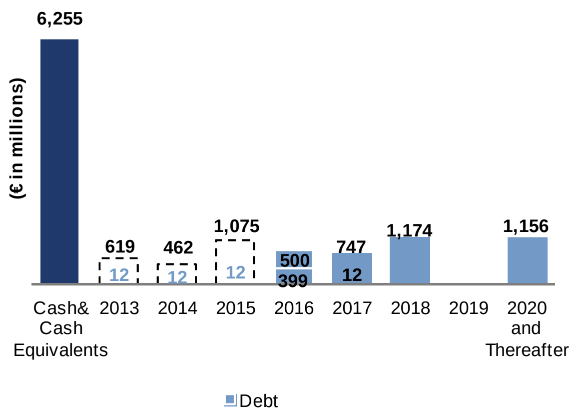


Figure 2: Pro-forma Debt Maturity Profile (Assuming a 6 Year TLB)



Note: Maturity profile excludes "Other financial debt". Reflects maturities when due and at reported values for all debt outstanding at Q3 2012 as per Company consolidated financial statements.

5) Summary of Key Terms for Senior Secured Credit Facilities

Terms	Asset Sale Facility	Senior Secured Term Loans
Borrower	Alcatel-Lucent USA Inc.	
Expected CFR/CCR	B3 / B	
Expected Instrument Rating	TBD	
Ranking	Senior secured	
Guarantors	Alcatel Lucent ("Parent"), Alcatel Lucent Holdings Inc. ("Holdings") and certain of Parent's and Holding's material subsidiaries	
Security	■ First-priority pledge over all equity interests of the Borrower and Holdings ■ First-priority pledge of all equity interests held by the Borrower or any Guarantor, subject to agreed exceptions ■ (i) at least 90-95% (specific percentage in such range to be agreed) of all registered or issued or applied for patents of Parent and its subsidiaries in the aggregate (including predecessors in interest) and (ii) other material registered or issued or applied for intellectual property rights of Parent and the Borrower; provided that, with respect to clause (i) above, if a perfected lien on any such registered or issued or applied for patents cannot be provided by the date of the closing and initial borrowing under the Senior Secured Credit Facilities (the "Closing Date") after the use of reasonable best efforts to do so, the Borrower and the Guarantors will continue to use reasonable best efforts to achieve such percentage referenced in clause (i) above not later than 90 days after the Closing Date ■ First-priority security interest in substantially all other tangible and intangible personal property of Holdings, the Borrower and each domestic Subsidiary Guarantor of the Borrower	
Use of Proceeds	To refinance the Company's existing debt, pay fees and expenses associated with the transaction and working capital and general corporate purposes	
Amount	$500m	■ US$ TL: $1,275m ■ € TL: €250m
Currency	US$	US$ and €
Tenor	3.5 years	■ 6 years ■ 1% amortization annually, with the balance payable at maturity
Indicative Pricing	LIBOR + 600bps	LIBOR/EURIBOR + 700bps
LIBOR Floor	1.25%	
Issue Price (OID)	98.0	98.0
Call Protection	101%, par thereafter	NC1, 102%, 101%, par thereafter
Cash Sweep	Yes, on a grid based on leverage	
Mandatory Prepayment	■ Excess Cash Flow Sweep ■ Asset Sales ■ Debt Issuances	
Affirmative Covenants	Customary for facilities and transactions of this type	
Negative Covenants	Substantially similar to those included in the indenture relating to the Parent's 8.50% Senior Notes due 2016 (with modifications to reflect the secured nature of the Senior Secured Credit Facilities) including but not limited to, the following ■ Limitation on Restricted Payments and Investments ■ Limitation on Liens ■ Limitation on Indebtedness, Preferred Stock and Guarantees ■ Limitation on Speculative Hedging Agreements ■ Mergers, Acquisitions and Consolidations ■ Asset Sales subject to Permitted Disposals (Enterprise, Optical Submarine, patent monetization program) and reinvestment rights	
Financial Covenant	A maximum senior secured net leverage ratio	
Governing Law	New York	

6) Pro Forma Group Structure

The Senior Secured Facilities will share all collateral ratably among the tranches and, where perfected under applicable local law, would rank ahead of unsecured debt of the same entity to the extent of the value of the collateral (subject to statutory exceptions, which vary from jurisdiction to jurisdiction, and certain other permitted liens to be allowed in the loan documents).

Unsecured (and secured) debt and other liabilities at non-guarantor entities will effectively rank ahead of the Senior Secured Credit Facilities.

The Senior Secured Credit Facilities to receive guarantees from:

- Parent, Holdings, certain subsidiaries of the Parent and the Borrower
- Subsequently acquired wholly-owned material subsidiaries of Parent incorporated (i) in the US, France (to the extent a direct or indirect Parent of the Borrower), UK, Canada and Brazil and (ii) other jurisdictions where such subsidiary has (i) EBITDA representing 10% or more of the EBITDA of Parent and its subsidiaries on a consolidated basis or (ii) turnover representing 10% or more of the turnover of the Parent and its subsidiaries on a consolidated basis

<u>Exceptions</u>

- No guaranty to the extent such guaranty would violate applicable law
- Any subsidiary organized under the laws of China or India
- No guarantee from a non-US subsidiary of the Borrower if doing so would result in adverse tax consequences to Parent or the Borrower
- No guarantee where the Borrower and Agent agree that the costs of providing such guaranty are excessive in relation to the benefit to the Lenders of receiving such guarantee
- Guarantors to represent 43% of consolidated sales, 159% of consolidated EBITDA and 53% of consolidated assets

Collateral package to consist of a first priority lien over

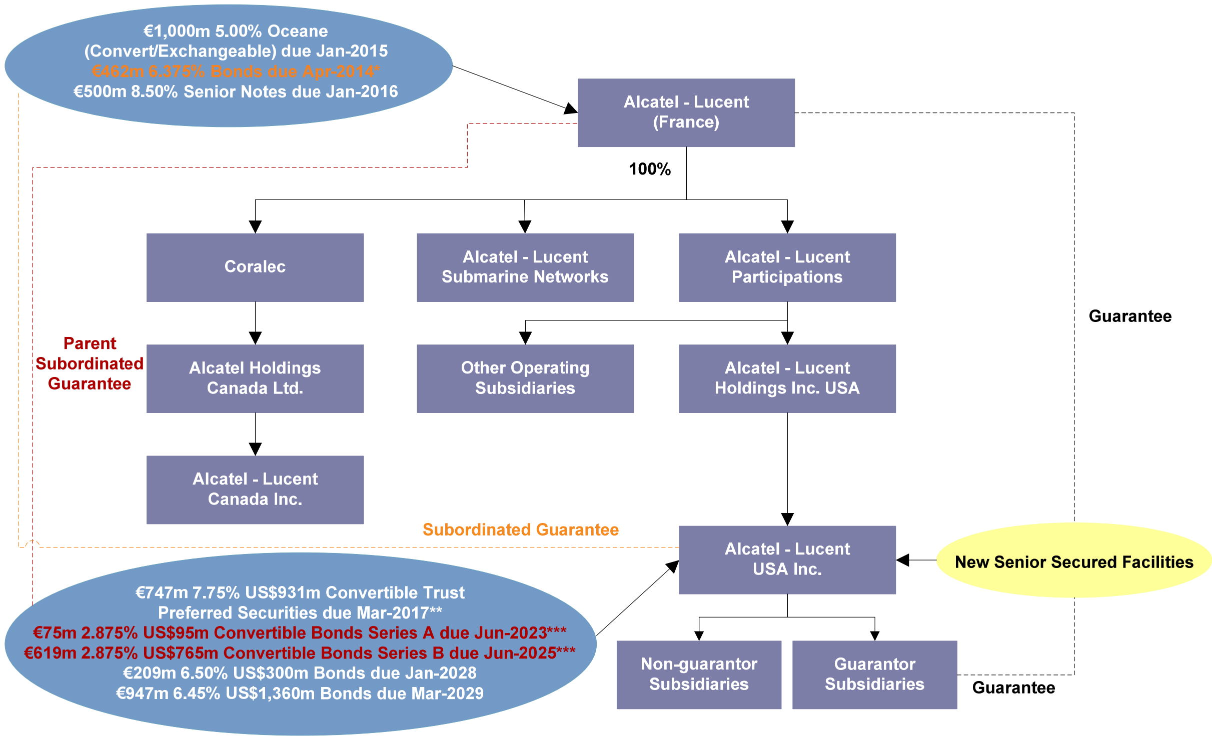
- All equity interests of Holdings and the Borrower and a pledge of all equity interests held by the Borrower or any Guarantor
- Intercompany loans owed to the Borrower or any Guarantor
- Material IP rights in the US and France held by the Borrower and Parent to be perfected in the US, France and, possibly, other material jurisdictions
- Liens on substantially all other personal property of the Borrower and Borrower's subsidiaries constituting US Guarantors

<u>Exceptions</u>

- No real estate collateral
- No liens on cash and cash equivalents
- No liens on receivables subject to factoring or discounting arrangements
- Perfection of equity interests only in jurisdictions where there are otherwise guarantors and where it is legal (and contractually permitted) to so perfect and pledges by US guarantors of their foreign subsidiaries to be limited to 66% of voting equity interests where a greater amount would result in adverse tax consequences to Parent or the Borrower
- Other standard exceptions to collateral, including, among others, no motor vehicles, no liens or perfection where prohibited by law and no liens where the costs outweigh the benefit, as reasonably determined by the Borrower and the Agent
- Other than as set forth above, no liens on assets of non-US entities

The following graph provides a simplified overview of the Group structure and the location of existing debt facilities as well as the new Senior Secured Credit Facilities.

Figure 3: Simplified Group Structure



Note: Amounts as per notional amounts outstanding as of 30 September 2012 as per Alcatel-Lucent quarterly financial statements.
** Benefit from subordinated guarantee from Alcatel-Lucent USA Inc.*
*** Issued by Lucent Technologies Capital Trust I. The obligation from Alcatel-Lucent USA Inc. to the trust is subordinated debt.*
**** Benefit from subordinated guarantee from Alcatel-Lucent.*

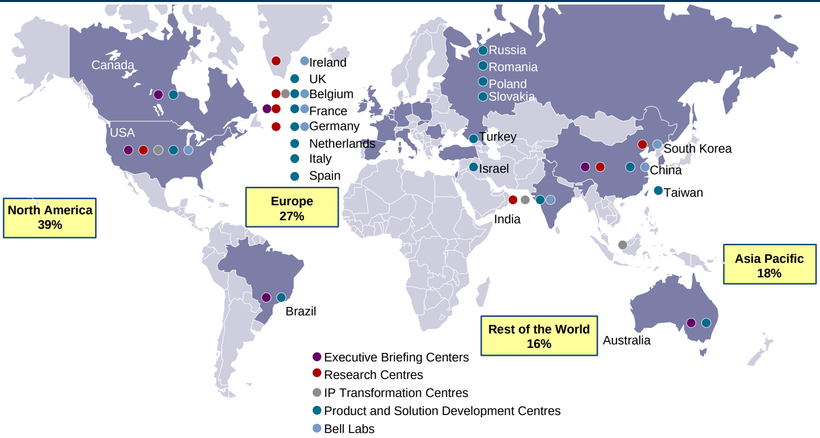
IV. Company Snapshot

1) Introduction

The long-trusted partner of service providers, enterprises and governments around the world, Alcatel-Lucent is a leading innovator in the field of networking and communications technology, products and services. The Company is home to Bell Labs, one of the world's foremost research centers, responsible for breakthroughs that have shaped the networking and communications industry. Alcatel-Lucent was named one of MIT Technology Review's 2012 Top 50 list of the "World's Most Innovative Companies" for breakthrough innovations such as lightRadio™, which cuts power consumption and operating costs on wireless networks while delivering lightning fast Internet access.

With operations in more than 130 countries and one of the most experienced global services organizations in the industry, Alcatel-Lucent is a local partner with global reach. In the last twelve months to September 2012, the Company generated revenues of €14.5bn.

Figure 4: Revenue Contribution per Region (LTM Sep-2012) and Key R&D Centers



Source: Company

With c. 30k active patents and a €2.4bn[1] R&D budget in 2011, innovation is at the core of the Company's identity. Its R&D centre, Bell Labs, is one of the world's foremost research centers, responsible for innovations that have shaped the communications industry such as the transistor or the C programming language and has been home to seven Nobel prize winners.

2) Vision and Strategic Initiatives

At the heart of Alcatel-Lucent's strategic vision is the High Leverage Network™ (HLN) architecture. A High Leverage Network™ is a converged, all-IP (Internet Protocol) network that can carry the different services which today are carried over a telecommunication service provider's multiple networks. It delivers broadband access to users on any device (wired or wireless), and automatically provides the bandwidth needed to deliver the services being used. It has the intelligence to manage traffic while providing the quality of service that is appropriate for each user and each of the services, both at optimum cost. It is suitable for deployment in both emerging markets and the developed world, and in both densely populated and remote areas. It requires state of the art capabilities in IP, optics, wireless and wireline broadband access – as well as the supporting software and services.

In response to the deteriorating macro environment, deep technological changes and the slowing down of European service providers' LTE roll-out strategy, the Company decided in the summer of 2012 to re-focus its strategy and initiate a significant cost saving exercise. The strategic pillars of the refocused Alcatel-Lucent and the so-called Performance Program are:

1) Take advantage of long term trends in the carrier network infrastructure market, especially in IP and Optical
2) Leverage leadership position in IP, Optical and VDSL/FTTX Fixed Broadband Access to enable all-IP infrastructure
3) Capitalize on disruptive innovations at Bell Labs
4) Implement a profit run approach towards a unique patent portfolio
5) Adapt cost base to new environment and exiting/restructuring unprofitable geographies/markets

[1] *Before capitalization of development expenses and capital gains (loss) on disposal of fixes assets.*

This plan will enable the Company to streamline the cost structure and refocus on the most profitable and high growth markets.

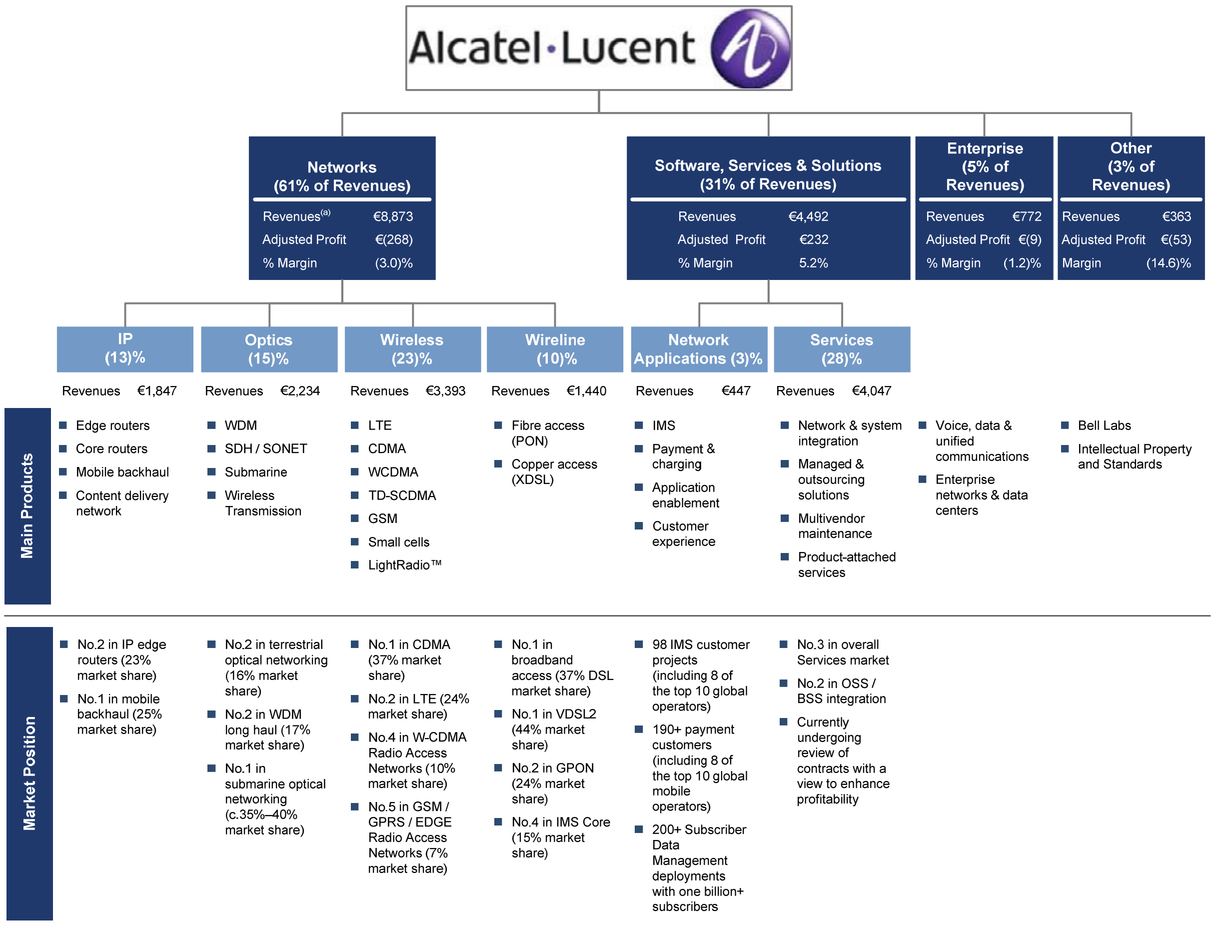
3) Operating Segments

Alcatel-Lucent has three major operating segments:

- "Networks" provides a network product portfolio enabling customers to deploy scalable, IP-enabled, multi-access networks that enable new and differentiating services. Within the division, R&D is aligned to focus within the High Leverage Network™ framework across all technologies in portfolio: IP, optics including submarine, fixed broadband access, core networks, wireless, and radio frequency systems
- "Software, Services" & Solutions" provides a comprehensive suite of software solutions and services offerings designed specifically to meet the needs and demands of communication network operators and strategic industries. These solutions allow customers to optimize network costs and quickly deploy innovative, value added products and services for their subscribers that increase loyalty and create new revenue streams
- Enterprise provides voice and data solutions to enterprises

These operating segments are aligned to support the High Leverage Network™ architecture.

Figure 5: Overview of Alcatel-Lucent Operating Segments



(a) Includes inter-segment eliminations.

Source: Company

Note: Based on LTM figures (excluding Genesys) as at 30-Sep-2012. Segment revenue as percentage of total revenue noted in parentheses

Note: Market shares in 2011, based on the Company annual report 2011

V. Key Credit Highlights

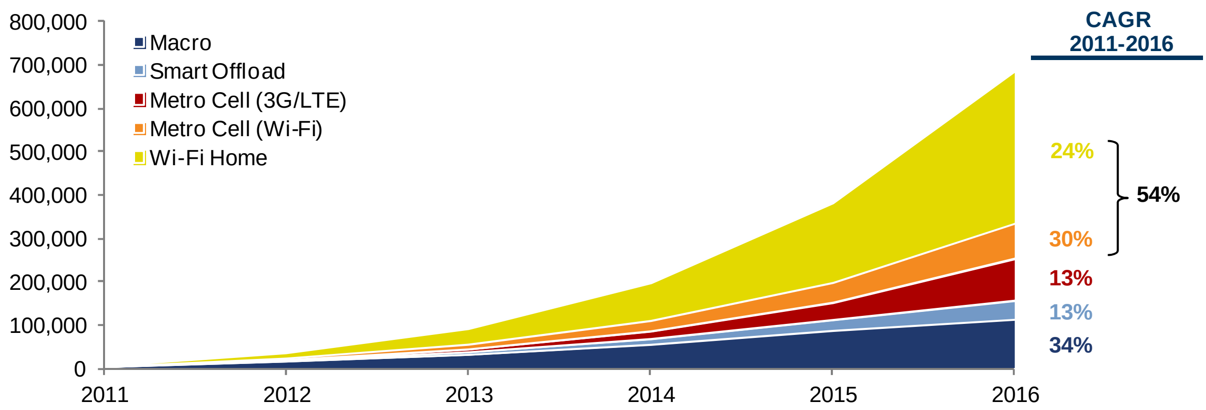
1) Alcatel-Lucent Positioned to Benefit from Strong Secular Trends

Key Market Trends

The exponential growth in data traffic…

The telecommunications market has been undergoing considerable change since the arrival of the internet a little over ten years ago and the broad availability of mobile telephones. The greater affordability of internet access, the arrival of smartphones and tablets, the emergence of a range of services based on video consumption, the development of increasingly high performance technologies such as 4G, fiber optics and increased virtualization are all causing exponential growth in data exchange. A smartphone generates, for instance, between 5 and 20 times more data traffic than a feature phone. According to Bell Labs, these trends are expected to lead to an explosion of data traffic with average annual growth of 54% between 2011 and 2016 (see chart below).

Figure 6: Daily Data Traffic 2011-2016 (Terabytes)



Source: Company

The nature of the traffic has changed from voice to video reinforcing the need for a change in network architecture.

… increases the need for network development …

The exponential growth in data traffic puts significant pressure on operators to improve networks in developed countries (4G, fiber optic, etc.) and expand network coverage in emerging countries (fiber optic in Asia, mobile infrastructures in Africa). This dynamic is largely self-reinforcing with data traffic increasing because the networks perform better, and pressure on operators to develop networks to accommodate users' increased data consumption.

Video based usages (such as Netflix, HULU, Youtube) force services providers to move to an all-IP architecture to match with the unpredictability of the traffic.

… which network operators have to meet…

The exponential expected growth in data traffic does not immediately translate into actual investment in new infrastructure in every region of the world.

On the one hand, U.S., telecom operators have massively invested in LTE/IP since 2010, creating a virtuous cycle with device producers and software developers. China will force investment (already started in fiber) based on political objectives, opening up the door to significant capex spending.

On the other hand, European telecom operators are more focused on streamlining investment. European governments, which were driving investment either directly or indirectly through favorable legislation a few decades ago, are today struggling with restricted budgets. Telecom operators are facing weaker margins and are focused on optimizing their cost structure. Regulatory changes and additional competitors are contributing to downward pressure on prices and therefore generally decrease the cash available for network investment.

The challenging trend in service provider consumer revenues as well as costs and profits is illustrated below.

Figure 7: Service Provider Consumer Sales

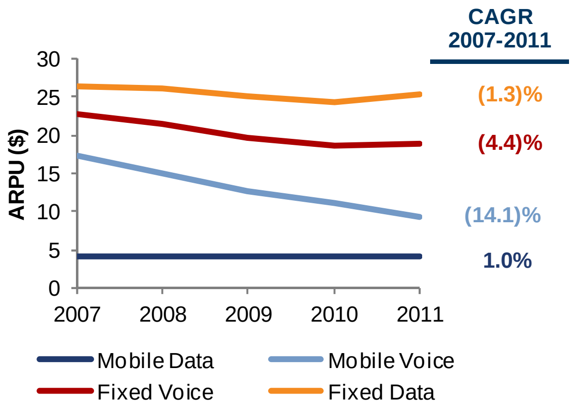
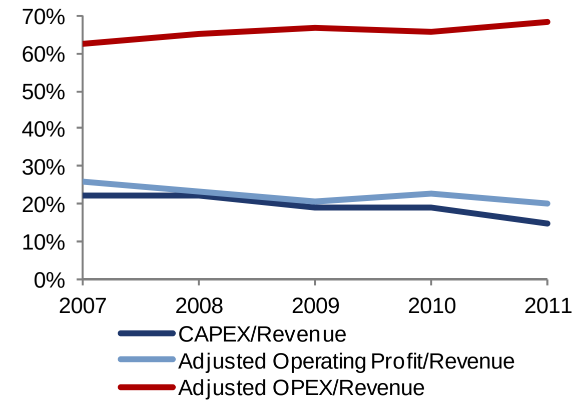


Figure 8: Service Provider Costs and Profits



Source: Company

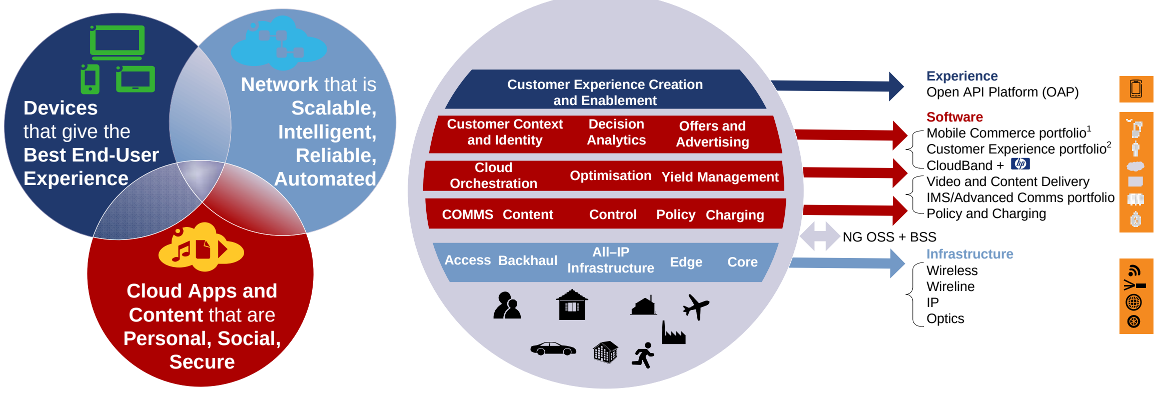
… ultimately creating new opportunities for equipment makers

In this environment, telecom operators are looking to optimize the use of the existing network as well as to make careful additional investments. Streamlining of costs has become a priority and despite the unquestionable explosion of data traffic, operators are demonstrating considerable caution. Their response, i.e. shared networks, increased alternative capacity (small cells/HetNet), traffic decentralization (content delivery network) and optimized data flows (deep packet inspection), is providing equipment makers an opportunity to broaden their product offering.

Alcatel-Lucent Positioning

In the face of the above fundamental long-term trends, the telecom equipment industry is at an inflection point. Historically managed distinctly, devices, infrastructure and software are now increasingly integrated to drive a single customer value experience. Alcatel-Lucent is uniquely positioned to benefit from these trends:

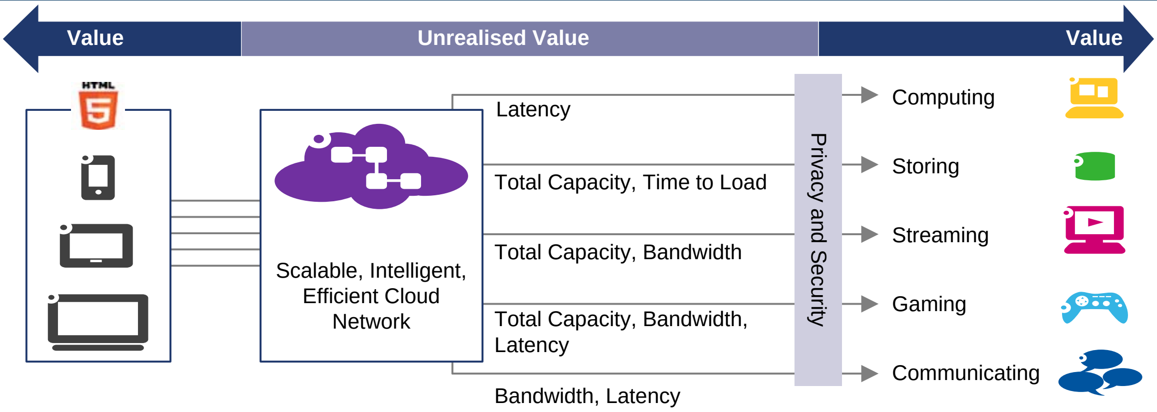
Figure 9: Alcatel-Lucent Position in a New Context of Devices, Network & Apps Being Connected



Source: Company

Alcatel-Lucent's strategy is focused on providing an all-IP infrastructure in line with this fundamental industry trend, which covers both access to networks (wireless and wireline) and backhaul, as well as the edge and core of the network. Management consequently sees IP and Optics as the strategic key growth areas of the Company, together with new access technologies such as LTE. Further to infrastructure, the Company provides a portfolio of value added services to ultimately help telecommunication service providers create the experience that customers demand.

Figure 10: Realizing the Value of the Network



Source: Company

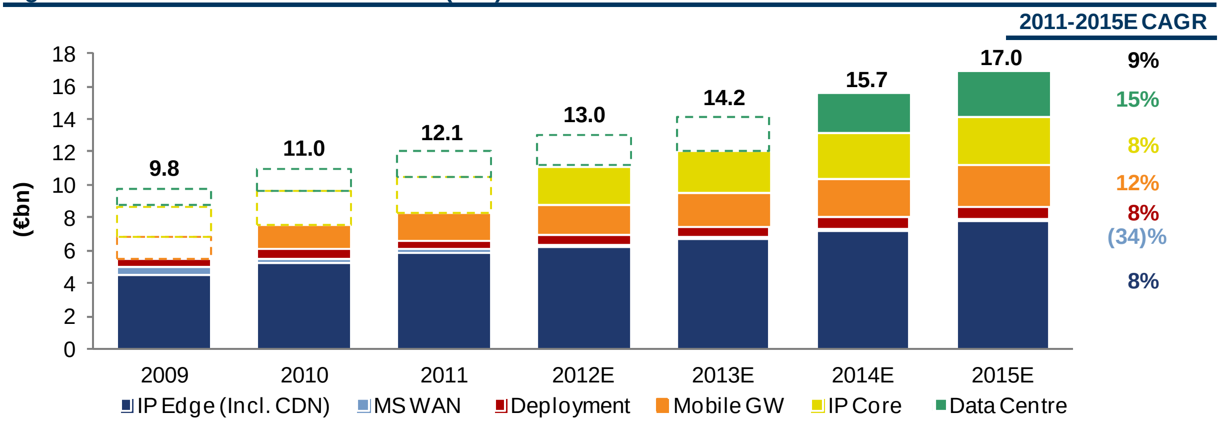
2) Focused Leadership in Profitable and Growing Markets

With the backdrop of the market trends described above, and in line with the Company's strategy, Alcatel-Lucent's key focus areas are IP, Optics as well LTE and Small Cells.

Internet Protocol

Internet Protocol (IP) is a c. €14bn total addressable market, expected to growth at a 9% CAGR 2011-2015, with four major sub-segments, IP Edge (incl. CDN, Content Delivery Network, €7bn, 8% growth), IP Core (€3bn, 8% growth), Mobile Gateway (€2bn, 12% growth) and Data Centers (€2bn, 15% growth).

Figure 11: Global IP Market Size (€bn)



Source: Company. Note: data center market includes only switches related to data centers

Alcatel-Lucent is a leader in the IP market with its edge router product portfolio, which gives it a strong competitive advantage due to its superior technology. For instance, the 7750 full IP router is considered a best-in-class edge router. Since 2003, Alcatel-Lucent has gained market share in the edge router market at the expense of Cisco and Juniper, with market share rising to 23% in 2011 in this critical next generation market.

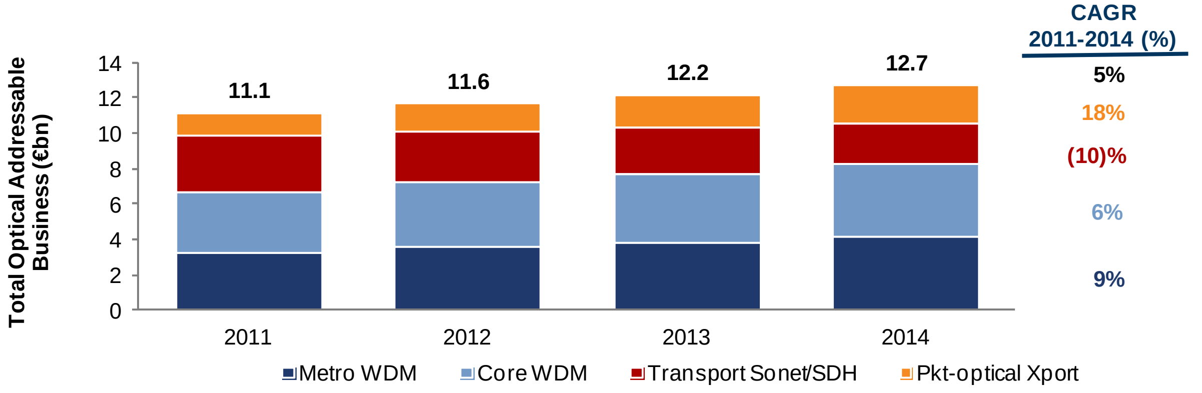
The IP market is also expanding on the back of the launch of new applications (CDN, mobile backhaul, mobile packet, core).

Furthermore, in May-2012, Alcatel-Lucent announced its entrance into the core router market (a c. €3bn market opportunity) with the introduction of a new family of internet core routers: 7950 XRS. The flagship product of the family, the 7950 XRS-40, supports 32 terabits per second capacity and 160 100-Gigabit Ethernet ports in a single system, five times the density of today's core routers. As such it accelerates and simplifies core network evolution, helping service providers more easily respond to customer demand.

Optics

Terrestrial optics is a €12bn market, projected to grow at a CAGR of 5.0% 2011-14, while submarine optics is a c. €2bn market (source: Company estimate). Alcatel Lucent is #2 in terrestrial optical networking with a 16% market share and #1 in the submarine market with a 43% market share (2011). Optics are a key growth market for the Company, given the significant technological and commercial synergies with the IP portfolio.

Figure 12: Global Terrestrial Optical Market (€bn)



Source: Company

The Company is also well positioned in the transition to 100G+ with optical single-carrier coherent technology. It enjoys the #1 position in the 100G market segment, covering 30+ countries and has gained strategic partner status for 70+ 100G customers. Accelerated 100G adoption is being driven by the need to upgrade metro and core networks to meet overall traffic growth. There is a growth opportunity in packet optical transport.

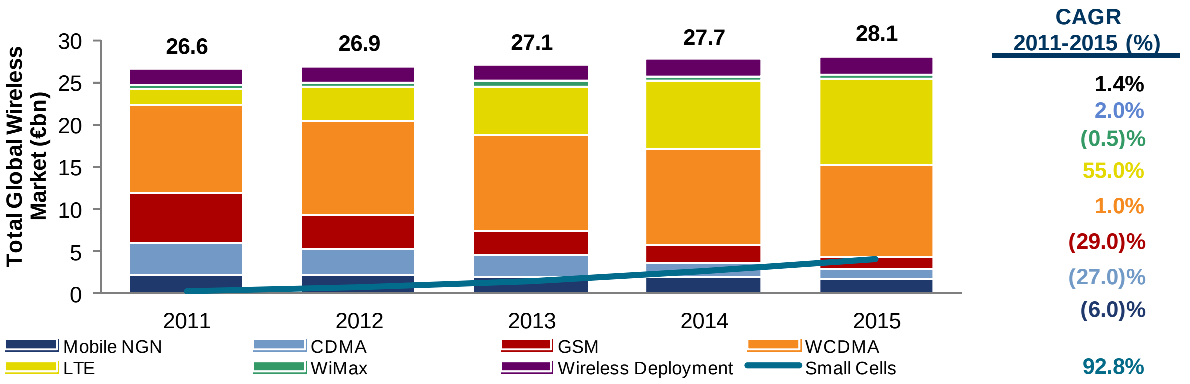
Importantly, Alcatel-Lucent is the only player that has both optics and IP in house. Hence, there are significant business and technical synergies with the IP portfolio.

LTE and Small Cells

Next generation wireless networks (LTE) are a key growth technology as legacy 2G and 3G networks are being replaced or updated. The market is expected to expand at a CAGR of 55% 2011-2015.

Alcatel-Lucent holds a leadership position (#2) in the fast growing LTE segment with 24% market share. It has conducted successful LTE large scale deployments especially in the US and Asia, and the two biggest LTE customers in the world (Verizon and AT&T) are clients of Alcatel-Lucent.

Figure 13: Global Wireless Market (€bn)



Source: Company

The Company's technology is moving towards lightRadio™, a breakthrough multi-generation wireless portfolio. This is particularly critical in the context of the small cells market, which is expected to grow at a CAGR of 93% 2011-2015, and in which the Company is a world leader.

3) Deep Strategic Relationship with Leading Service Providers

Alcatel-Lucent has deep strategic relationships with the largest spenders in the industry. These long-term relationships, together with an advanced product offering and complementary services, create significant reliance on Alcatel-Lucent and create material hurdles to customer switching. Telecom service providers face significant complexities in their infrastructure investment as they seek to improve the customer experience. Alcatel-Lucent, through its deep integration with service providers and long industry experience as well as significant R&D can offer a full, customized service solution. In an independent assessment from research firm Gartner, Alcatel-Lucent has been rated a top tier global provider, based in particular on its solid products and services and a sound strategy.

Among Alcatel-Lucent's top long-term clients are AT&T, Verizon, Sprint, Bell Canada, America Movil, Telmex, Oi in the Americas; British Telecom, Deutsche Telecom, Telefonica, KPN, Orange, VimpelCom and Vodafone in Europe; China Telecom, China Unicom, China Mobile and NTT DoCoMo in Asia and Etisalat in Middle-East & Africa.

Furthermore, Alcatel-Lucent has made significant recent wins across its portfolio in addition to substantial new contracts with existing customers. For instance, the Company won significant contracts in IP (VimpelCom, Chunghwa, NTT Docomo, China Telecom and Telefonica), in Wireless (China Mobile, Oi, Sprint) and in Optical (Chunghwa, SK Broadband)

The table below charts some of Alcatel-Lucent's key client relationships across the different operating segments.

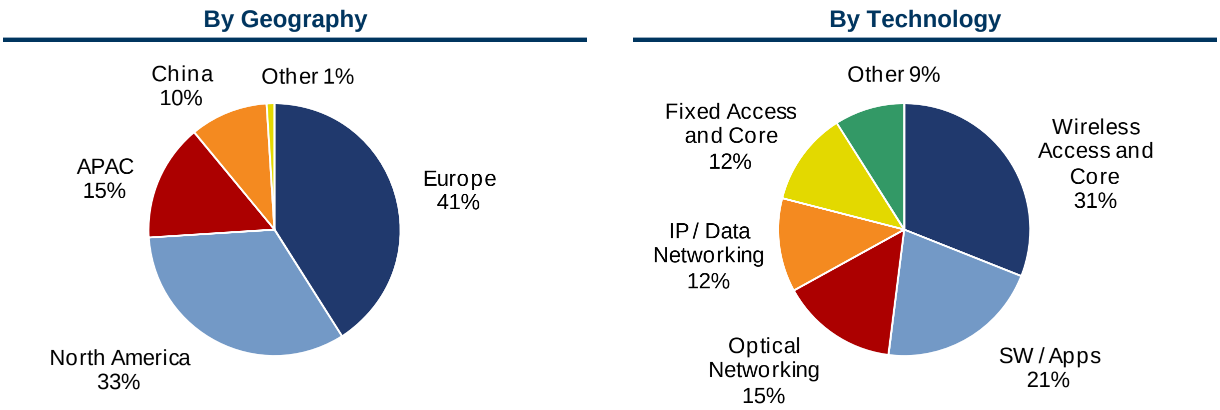
IP & Optics	verizon, at&t, TELMEX, américa móvil, CenturyLink, TELUS, BT, T, Telefónica, vodafone, VimpelCom, etisalat, NTT docomo, 中国移动通信 CHINA MOBILE, 中国电信 CHINA TELECOM, 中華電信 Chunghwa Telecom
Wireless	verizon, at&t, Sprint, 中国电信 CHINA TELECOM, 中国移动通信 CHINA MOBILE, China unicom 中国联通, orange, vodafone, etisalat, ORASCOM TELECOM, oi
Wireline	verizon, at&t, TELMEX, TELUS, 中国电信 CHINA TELECOM, 中国移动通信 CHINA MOBILE, China unicom 中国联通, france telecom, Telefónica
Network Applications	verizon, at&t, STC, vodafone, Sprint, 中国电信 CHINA TELECOM, 中国移动通信 CHINA MOBILE, france telecom, China unicom 中国联通, glo
Services	verizon, at&t, Sprint, orange, Telefónica, T, oi, kpn, SFR

Source: Company

4) Unique Intellectual Property Portfolio with Significant Embedded Value

Alcatel-Lucent has a unique portfolio of c.30k issued patents and c.15k pending patent applications. The average life is c. 9 years for the issued patents and c. 16 years for the patents pending approval. The portfolio covers 70+ diverse technologies, 40+ different countries and 350+ standard essential patents across seven standards bodies.

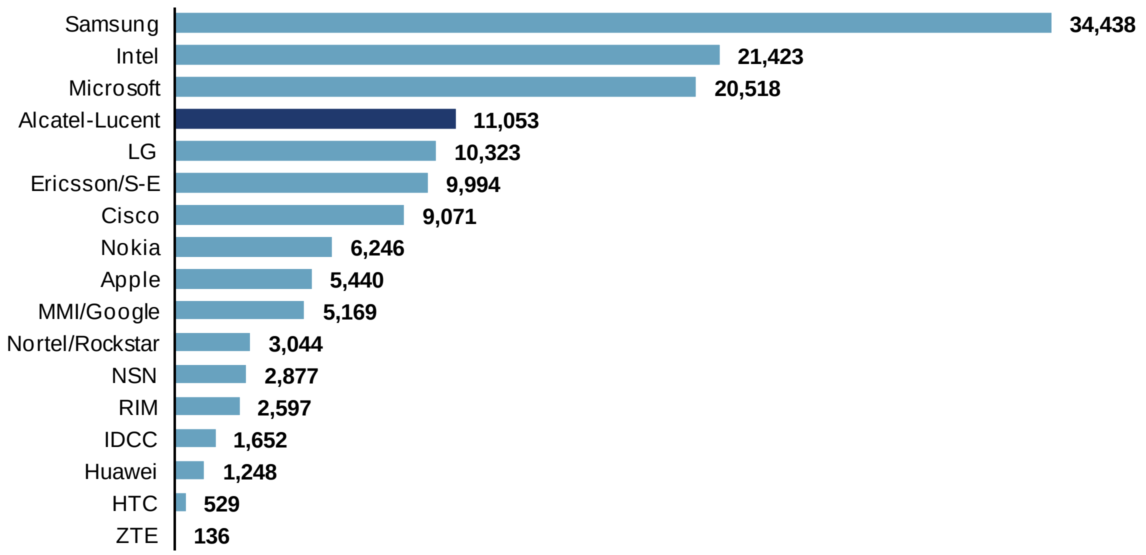
Figure 14: Geographic and Technological Distribution of Alcatel-Lucent's Patents



Source: Company

Alcatel-Lucent not only possesses one of the largest patent portfolios in the world but also, crucially, a particularly large portfolio in the US, which has one of the world's most developed patent litigation systems. Hence, US patents generally tend to be more valuable.

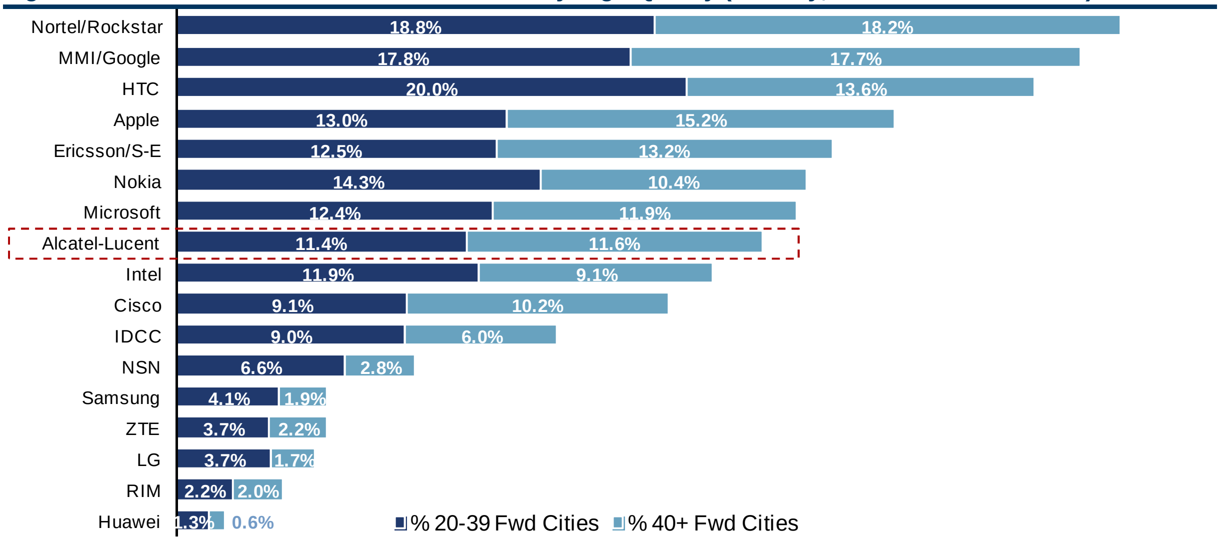
Figure 15: Alcatel-Lucent's Portfolio is One of the Largest (US only)



Source: Global IP Analysis of Thomson-Reuters Data as of Q3 2012; Issued U.S. Patents Only

The Alcatel-Lucent portfolio is also one of the highest quality selections of patents, as evidenced by the large number of forward citations of the Company's patents in subsequent patent applications.

Figure 16: Alcatel-Lucent's Patents are of Very High Quality (US only, >20 Forward Citations)



Source: Global IP Analysis of Thomson-Reuters Data as of Q3 2012; Issued U.S. Patents Only

Patents are potentially highly valuable assets as they permit the collection of royalties or litigation settlement income while offering scope for cross-licensing with holders of other patents that are important to a company's business operations. The value of patents is likely to depend on the buyer and varies across technological areas. Given the potential technological complexity of patents and the associated laws, patents are inherently illiquid assets.

Below are set out three potential methods for establishing the value of Alcatel-Lucent's patent portfolio. To establish this value, the Company has taken advice from independent patent valuation specialists, Global IP Law Group[1] (who, among many other clients in the field of IP, represented Nortel Networks in the evaluation and successful sale of its patent portfolio of c 6,500 assets for $4.5bn in 2011, which is commonly considered a landmark case).

Comparable Transactions

The potential value of Alcatel-Lucent's patent portfolio can be triangulated by reference to previous comparable patent transactions. A selection of recent transactions that Global IP considers relevant because of a similar patent portfolio technology coverage and size in this context is set out below

Selected Precedent Patent Transactions

Seller	Buyer(s)	Patent Assets	Price (€m)	Price per Asset ('000s)	Year	Total Alcatel-Lucent Patent Assets[2]	Implied Value for Alcatel-Lucent (€m)
MMI	Google	24,000	4,231[3]	175	2011	43,406	**7,596**
Nortel	Apple, Microsoft, RIM, Ericsson, Sony, EMC	6,500	3,462	530	2011	43,406	**23,005**
Interdigital	Intel	1,700	288	170	2012	43,406	**7,379**

Source: Global IP, press releases

Patent Monetization at Key Peers

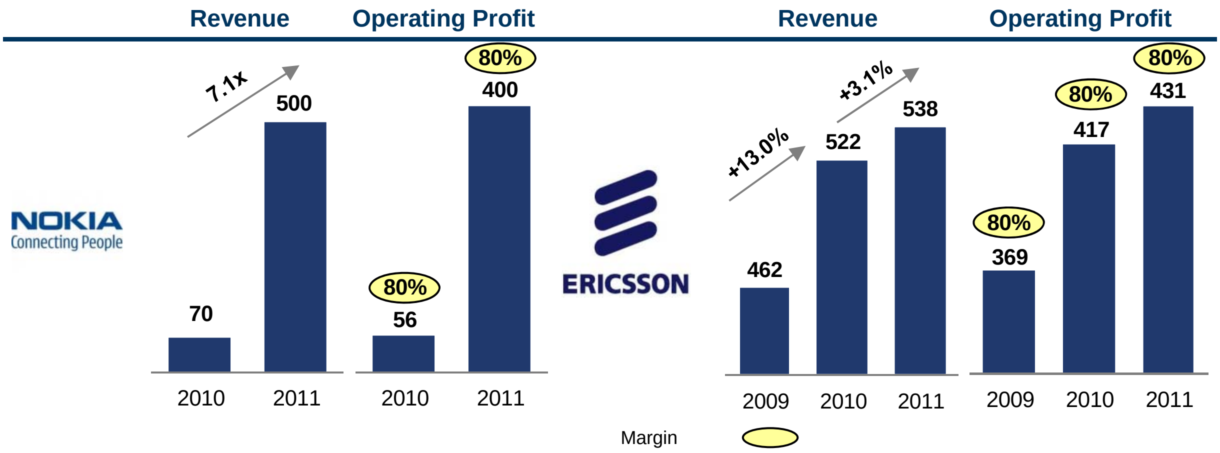
Another way to establish the value of Alcatel-Lucent's patent portfolio is to benchmark the revenue generated from it against the patent royalty revenues achieved by key peers. The key peers considered here are Nokia and Ericsson. Nokia has an estimated patent portfolio of c.10k patents. Monetization of patent portfolio started effectively in 2010 and posted exponential growth. In 2011, Nokia posted showed an operating profit of €400m on

[1] *This Information Memorandum contains selected information extracted from Global IP Group's report on the valuation of Alcatel-Lucent's patent portfolio. Recipients of this Information Memorandum should refer to the full report, which will be made available to all prospective investors.*
[2] *Including issued and pending patents, excludes 1,960 patents assigned to ASB or related to the assets assigned to ASB*
[3] *Total Price: €9.6 billion; Google allocated €4.2 billion value to patents.*

its patent monetization. Ericsson has an estimated portfolio of c.30k patents, which has shown strong and resilient growth and profits in line with Nokia's.

Preliminary analysis of Alcatel-Lucent's licensing potential by Global IP Law Group indicates that it may realize annual licensing revenues as high as, or even twice as high as, its comparable entities depending on how aggressively it pursues its licensing campaign as well as other market factors.

Figure 17: Revenue and Operating Profit of Selected Peers' Licensing Programs (€m)[1]



Source: Company filings

Discounted Cashflow Analysis

Global IP Law Group has reviewed Alcatel-Lucent's patent portfolio and also performed a discounted expected cashflow valuation analysis. The analysis is based on standard intellectual property valuation practices based on a "top-down" approach that examines each of Alcatel-Lucent's main markets, projecting relevant addressable revenues that can generate income from royalties. Conservative royalty rates were used based on Global IP's extensive experience, which in all cases were significantly less than the 2% royalty rate Alcatel-Lucent has publicly declared it would license its LTE standard essential patents. Based on the NPV of cash flows, net of expenses, an approximate valuation of c. €5bn has been estimated.

Although Alcatel-Lucent has been able to collect licensing revenues of c. €2bn over the last 10 years from its patent portfolio (on average €200m p.a.), Management believes a more aggressive patent monetization approach could bring profits from patents in line with those of key peers. To that end, the Company has entered into an agreement with patent licensing company RPX, then decided to manage its patent portfolio with a dedicated profit center and appointed Craig Thompson (formerly of Nokia, instrumental in facilitating the significant increase in patent monetization 2010-2011 shown above) in Nov-2012 to lead a new business unit managing the intellectual property portfolio.

[1] *Corresponding to profit and revenues generated on the back of licensing programs on patents.*

5) Turnaround Plan Underway – Strategic Vision Plus Operational Excellence

In response to the deteriorating macro environment, the deep technological changes and the slowing down of European service providers' LTE roll-out strategy, the Company decided in the summer of 2012 to re-focus its strategy and initiate a significant cost saving exercise in order to transform/restructure the appropriate organization to support the refined strategy.

The strategic pillars of the refocused Alcatel-Lucent are:

1) Take advantage of long term trends in the carrier network infrastructure market, especially in IP and Optical
2) Leverage leadership position in IP, Optical and VDSL/FTTX Fixed Broadband Access to enable all-IP infrastructure
3) Capitalize on disruptive innovations at Bell Labs
4) Implement a profit run approach towards a unique patent portfolio
5) Adapt cost base to new environment and exiting/restructuring unprofitable geographies/markets

In line with this strategic vision, on July 26 2012, Alcatel-Lucent announced a restructuring program, and the Performance Program, which represents a significant forward step in the company's transformation. The program targets costs savings of €1.25bn by year-end 2013, with €500m and €750m realized in 2012 and 2013, respectively.

Specifically, there are four components of the Program:

1) Additional global headcount reduction of around 5,500 people
2) Exiting or restructuring unprofitable 15 managed services contracts with associated headcount reduction (5 to be exited or restructured by year end)
3) Exiting or restructuring of unprofitable markets
4) Managing patent portfolio as an independent profit center

As a result of the refined strategy and these combined restructuring measures, the **Company is targeting Gross Margins of around 35-37% and adjusted operating margins[1] of 6-9% by 2015.**

6) Appropriate Liquidity and Maturity Profile to Execute Plan

The proposed transaction creates the flexibility for the delivery of the refined strategy as well as operational excellence. As of Q3 2012, the Company had €4.7bn of cash and liquid assets. Pro forma for the transaction, this liquidity buffer will increase to €6.3bn, allowing the Company to pro-actively manage its near term debt maturities. In addition, the Company is considering disposing of non-core assets and expects proceeds between €1bn and €1.5bn.

Thus, this Transaction, combined with the strategic refocus and operational improvements, creates the strategic and operational flexibility for the business to un-lock value and return to profitability and positive cash generation.

[1] *Adjusted for purchase price allocation entries related to Lucent business combination.*

Figure 18: Current Debt Maturity Profile

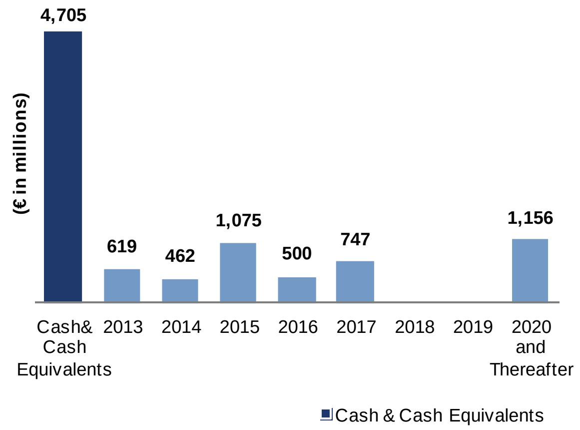
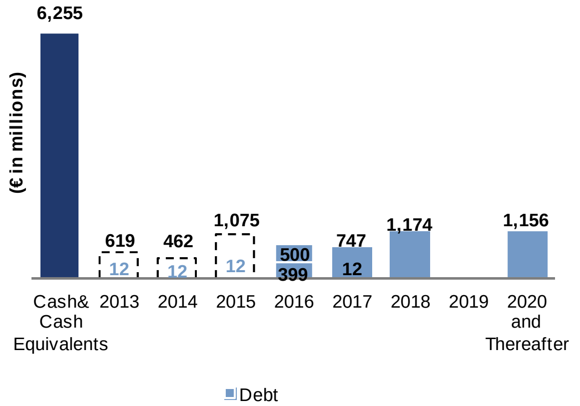


Figure 19: Pro-forma Debt Maturity Profile (Assuming a 6 Year TLB)



Note: Maturity profile excludes "Other financial debt". Reflects maturities when due and at reported values for all debt outstanding at Q3 2012 as per Company consolidated financial statements.

7) Experienced Management Team Focused on Turnaround

Alcatel-Lucent is led by a highly experienced management team that has staked its reputation on the turnaround of the business.

Ben Verwaayen
CEO
36 years of experience in the telecommunication sector

Paul Tufano
CFO and COO
More than 30 years of experience in finance and operations

Philippe Keryer
Networks & Platforms Business Group
Formerly President of Mobile Access Division

Stephen Carter
Performance Program & Managed Services
Formerly Minister in the UK Government for the Communications, Technology & Broadcasting Sector

Robert Vrij
Global Sales & Marketing
Formerly CEO of Openwave Systems

Jeong Kim
Bell Labs & CSO
Formerly COO and later President of Lucent's Optical Network Group

George Nazi
Global Customer Delivery
Formerly responsible for the design and deployment of BT's Global IP/MPLS network

Since taking over in 2008, the management team, led by Ben Verwaayen, has focused on reshaping the business along 3 key lines.

Lead with Innovation

In 2008, 75% of R&D was spent on maintenance / legacy products vs. 75% dedicated to next generation products in 2011. The Company introduced several disruptive innovations across the product portfolio, including:

- IP FP3 chipset in IP (4x faster than Cisco / Juniper)

- Optical – 100G coherent technologies on a single wavelength
- Wireless – lightRadio™ designed for small and metro cell
- Wireline – vectoring / bonding technologies

Initiate Cost Restructuring

Management achieved an aggregate fixed cost reduction of c.€1bn (end 2008 to end 2011) with employee reduction of 17,000 (excluding managed services). Throughout, management delivered on commitments on time or ahead of schedule.

Monetize Non-Core Assets

The Company achieved €3.5bn of divestitures between 2008 and 2011 with monetization of additional assets / opportunities currently under review.

Management believes this track record qualifies it to weather the ongoing challenges in the communications technology market, implement the refined strategy and achieve operational excellent through the Performance Program.

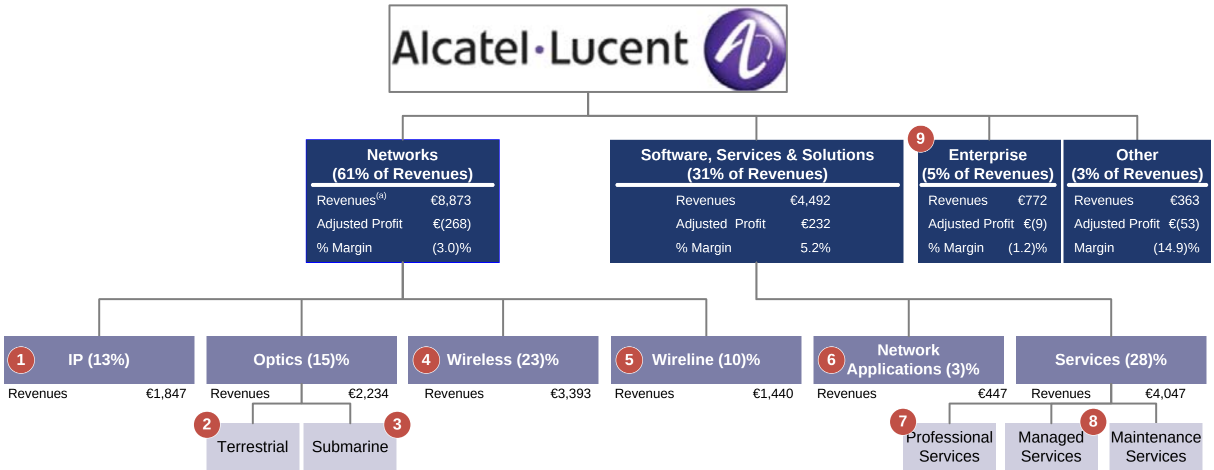
Focus on Profitability

Due to Management's dedicated focus on improving operations and profitability in the face of a very challenging operating environment, the Company managed to demonstrate its ability to expand its adjusted operating margin from negative 0.4% to 3.4% between 2009 and 2011.

VI. Company Overview

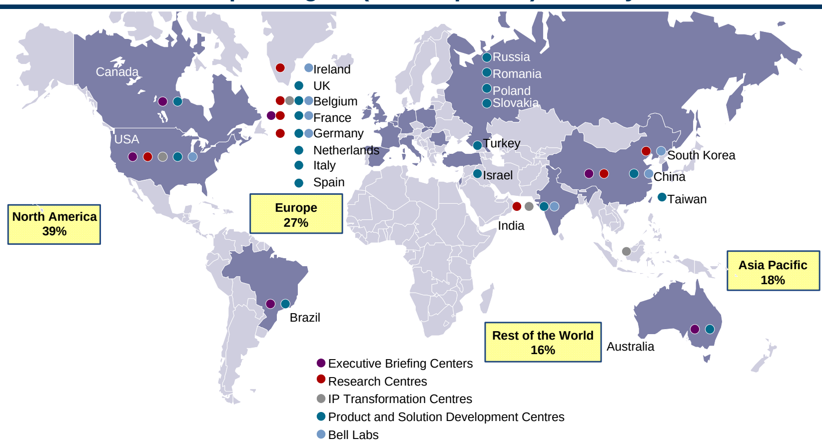
In the following section we discuss each of the Alcatel-Lucent's main operating segments in turn.

Figure 20: Overview of Alcatel-Lucent Operating Segments



(a) Includes inter-segment elimination.
Source: Company
Note: Based on LTM figures (excluding Genesys) as at 30-Sep-2012. Segment revenue as percentage of total revenue noted in parentheses

Figure 21: Revenue Contribution per Region (LTM Sep-2012) and Key R&D Centers



Source: Company

Alcatel-Lucent has a strong presence in the US, the world's leading communication technology market, as well as fast growing economies (like China, Russia, Latin America), underpinning its strong growth potential. Alcatel-Lucent thus is well diversified away from Europe and has a very favorable geographic business mix.

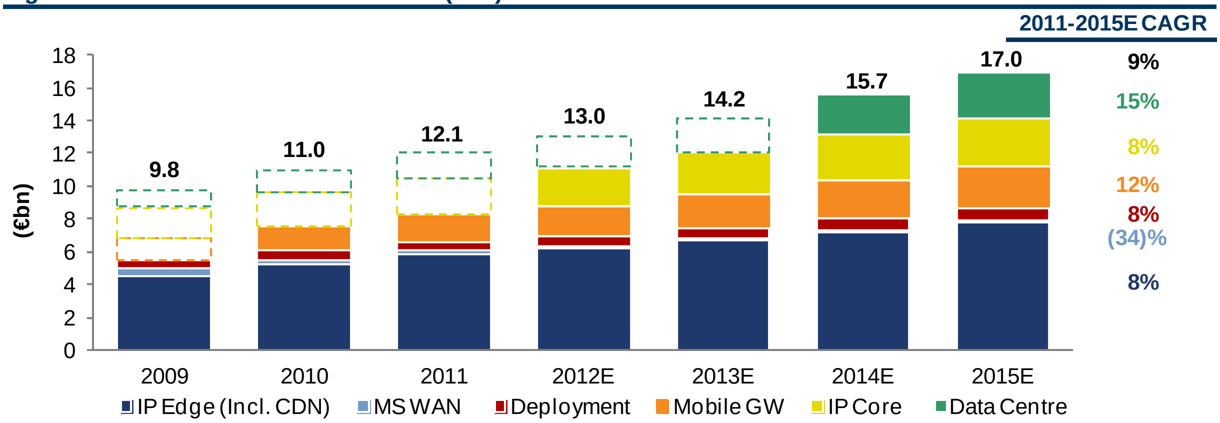
1 Internet Protocol (Networks)

Market Overview

The Internet Protocol (IP) market relates to products and services that help service providers, enterprises and governments transform their networks to an all-IP (Internet Protocol) architecture. IP is a c. €14bn total addressable market, expected to growth at a 9% CAGR 2011-2015, with four major sub-segments:

- IP Edge (incl. CDN): largest segment €7bn, 8% growth
- IP Core: €3bn, 8% growth
- Mobile Gateway: €2bn, 12% growth
- Data Centers: €2bn, 15% growth

Figure 22: Global IP Market Size (€bn)



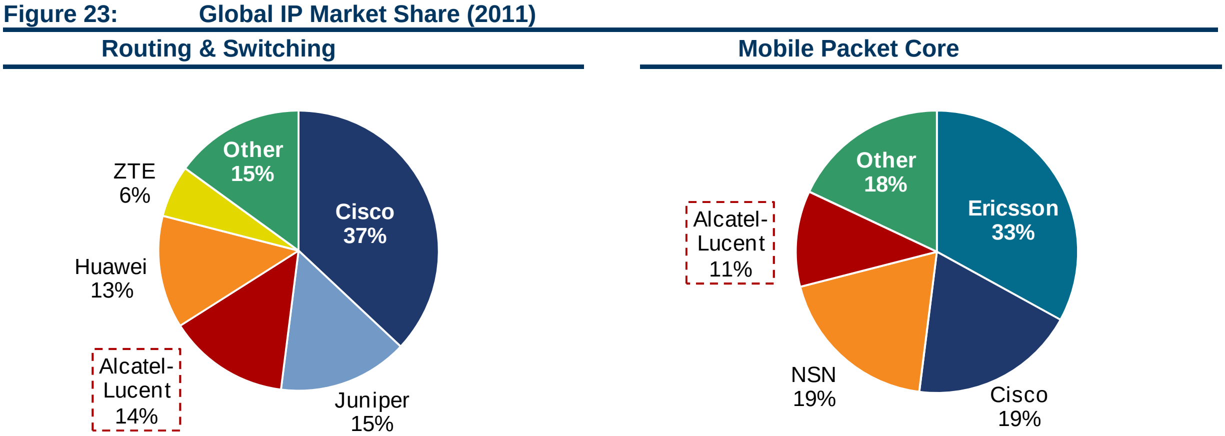
Source: Company. Note: data center market includes only switches related to data centers

The main customers in this market are telecommunication services providers, enterprises and industries. They turn to Alcatel-Lucent for the transformation of their mobile and landline systems from TDM to IP, the evolution of data centers into cloud computing (one of the key trends in the communication technology space), as well the deployment of new content delivery networks.

Research firm Gartner believes that the key IP market driver in the medium term is telecom operators' view that routers and switches are cost centers that need to be optimized to cater for traffic growth. Gartner anticipates that service provider routers and switches will continue to be implemented in mobile networks, both in core and radio access networks, while the US is at the forefront of IP-based Radio Access Networks (RAN).

The main players in this market competing with Alcatel-Lucent are set out below.

Figure 23: Global IP Market Share (2011)



Source: Company

In the highly attractive edge router sub-market, Alcatel-Lucent has been able to build up its market share from c. 3% in 2004 to 23% in 2011, thereby taking significant market share from Cisco and Juniper in particular. Management considers this as evidence of the Company's very strong product and service offering in the IP market.

Alcatel-Lucent Strategy and Performance

Alcatel-Lucent offers IP / MPLS Routing, Mobile Packet Core, Video / Content Delivery Networks as well as MSWAN (Multiservice Wide Area Network) and TDM. The key product focus is on the IP intelligent router market, allowing customers transform their network to an all-IP (Internet Protocol) architecture. The Company enjoys established worldwide product leadership with sustained growth. Its unique differentiating ingredients are its FP3 network processor chip and SROS software as well as the optical integration between FP3 and PSE (Photonic Service Engine). Moreover, in mobile GW, there is increasing convergence between wireless and fixed line networks, which is fully aligned with Alcatel-Lucent’s vision of HLN. This can be illustrated by the rapid development of Photonic Service Engine (PSE) - the first-ever commercially available electro-optics chip capable of driving traffic up to 400 gigabits per second (Gb/s).

Figure 24: Key Internet Protocol Products

7950 XRS-16c ***7950 XRS-20*** ***7950 XRS-40***

Source: Company

The Company further benefits from a state-of-the art product portfolio, thanks to its industry-leading R&D team. This has been recently demonstrated by the launch of a market-leading core router product (7950 XRS). Offering 5x greater density and 66% less electricity consumption than competing platforms, the router has been recognized by LightReading as the Best Telecom Product in 2012 and has already been selected by six customers of which Verizon is one. This product has allowed the Company to expand into the c. €3bn core router market (source: Gartner), viewed by management as a key growth area for the Company. Additionally, the new company’s mobile gateway has received numerous references from Verizon, Etisalat and others. Alcatel-Lucent's IP family has three key distinctive features that differentiate it from other platforms:

1) Vertically integrated design from the chipset, to the architecture and the operating system and peripheral applications/services
2) Integration and scalability across 'IP products' sharing a common architecture, from the edge to the core and across different 'sizes of boxes'
3) integration with the 'optical layer', making the connection between the IP and transport layers more efficient, manageable, flexible and scalable

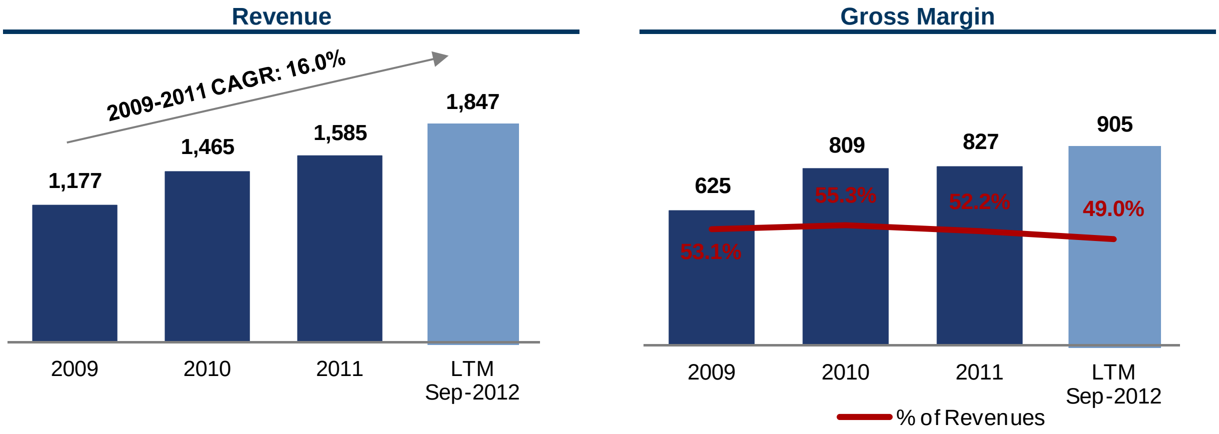
Over the last three years, activity in the IP division grew at 16.0% (CAGR 2009-2011) outperforming the IP edge market (+14% CAGR over the same period), driven by all-IP network transformation: deployment of IP/MPLS edge service routers (7750 Service Router family) and mobile backhaul to cope with video traffic explosion and move from voice/internet centric network to video centric network.

Growth at Alcatel-Lucent has been driven especially by Americas (c. +30%) over the period, with key customer wins like Verizon, AT&T, America Movil (IP backhaul) in Americas, or Korea (KT) and first meaningful revenues in China (China Telecom) and Japan (NTT Docomo in IP backhaul), in 2012 (growth in excess of 30% in 2012 LTM).

The IP division maintained a high level of innovation by addressing adjacent market like CDN through the Velocix acquisition, IP mobile backhaul in 2011, and the recent launch of IP core router to further expand its addressable market. Market share (in currently IP edge routers addressable market) grew to 23% in 2011 from 19% in 2009. Alcatel-Lucent ranked #1 in IP mobile backhaul.

IP Gross Margin has been stable over the period, in the 50 to 55% range.

Figure 25: **Key Historical Financials – Internet Protocol (€m)**



Source: Company

In the near and medium term, Management sees key opportunities in the sustained growth of the IP area driven by mobile broadband, gains in IP edge and mobile GW driven by product leadership as well as entry into IP Core with distinctive product, and data centers (thus creating positive halo effects within the IP edge business).

2 Terrestrial Optics (Networks)

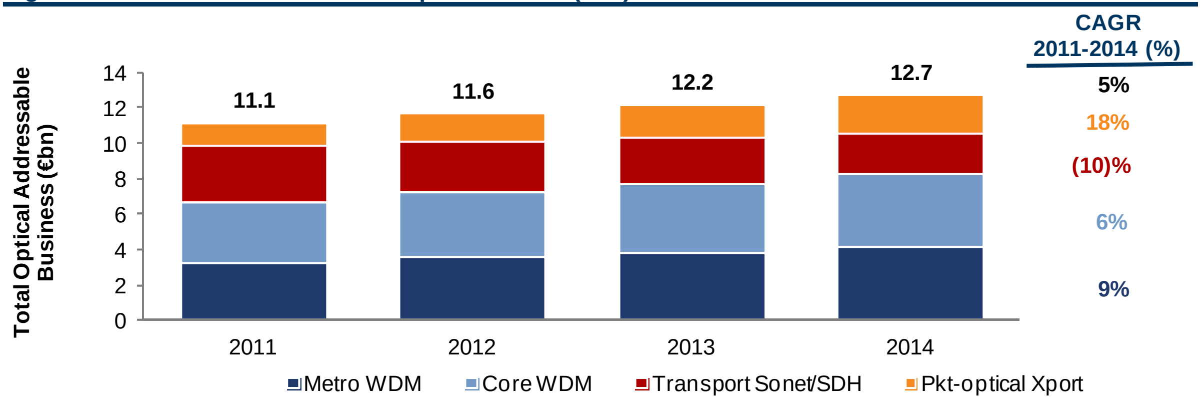
The Terrestrial Optics sub-division is part of the Optics division, together with the Submarine Optics sub-division.

Market Overview

The Terrestrial Optics market covers the design, manufacturing and marketing of optical networking equipment to transport information over fiber optic connections over long distances across land. Optics is a c. €12bn market (5% growth 2011-2014) with three sub-segments:

1) Aggregation: €5bn in 2012
   - Packet Optical Transport €2bn
   - Legacy SONET/SDH €3bn
2) Core WDM: €3bn
3) Metro WDM: €4bn

Figure 26: **Global Terrestrial Optical Market (€bn)**



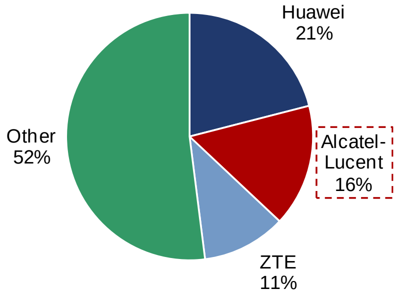
Source: Company

The main customers in the Optics market are telecommunication service providers (full range of products) and OTT players, data centers and enterprises (core WDM, cross connect). These customers require services and solutions from Alcatel-Lucent as they migrate towards a full, standardized IP/MPLS architecture over OTN/WDM in the next 3-5 years. In the core WDM, there is significant capacity required to absorb traffic in the medium term even though short-term spending is constrained.

According to research firm Gartner, the optics market will be driven by telecom operators that need to update their investments in optical transport to cater to the increasing volumes of data traffic. Moreover, telecom operators are looking for improvements in network architecture that make their cost curves more scalable. Reconfigurable optical add/drop multiplexer optical transport network and MPLS transport profile will all see increasing deployments.

The main players competing with Alcatel-Lucent are set out below.

Figure 27: Terrestrial Optics Market Share (2011)



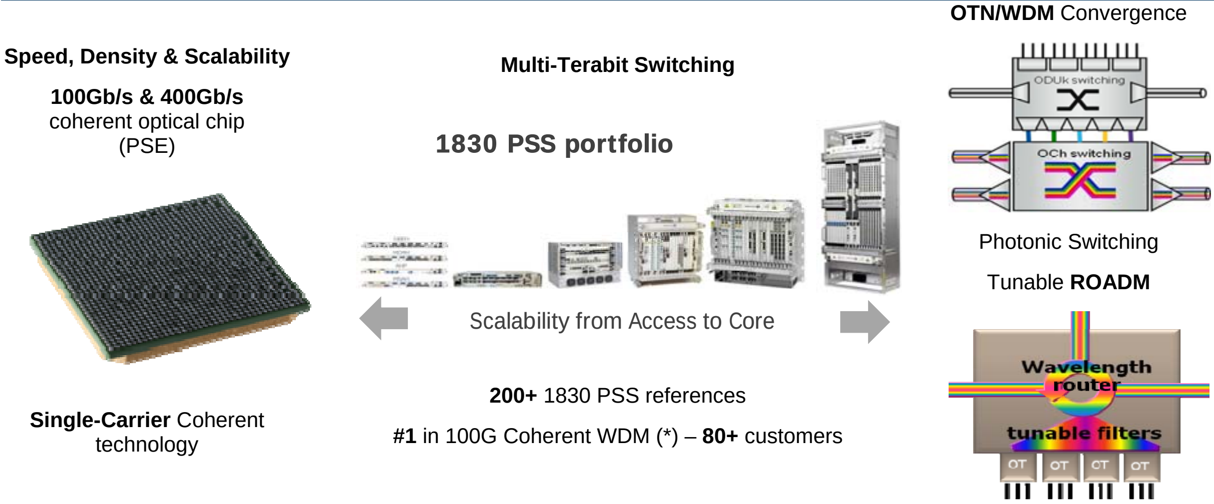
Source: Company

Alcatel-Lucent is a clear number 2 with 16% market share, and is leader in 100G technology with 60% market share. 100G is the leading technology in the terrestrial optics market, which can be further enhanced using PSE technology to increase speeds significantly.

Alcatel-Lucent Strategy and Performance

Alcatel-Lucent designs, manufactures and markets optical networking equipment to transport information over fiber optic connections over long distances on land as well as for short distances in metropolitan and regional areas. The portfolio also includes microwave wireless transmission equipment.

Figure 28: Key Terrestrial Optics Products



Source: Company

In the terrestrial division, Alcatel-Lucent benefits from strong product leadership based on its unparallel R&D expertise. The new 1830 OTN+WDM portfolio is recognized as leading the field in 100G+ Core. Moreover, for customers, there are business and technology synergies with the IP portfolio, already being implemented. The Company offers innovative optical technologies (Si Photonics, Coherent, ULH) and has a leading installed base with legacy aggregation systems.

The close link and integration with the IP division are a key competitive advantage for Alcatel-Lucent, enabling it to fulfill the growing demand for an all-IP infrastructure.

Alcatel-Lucent also benefits from very strong relationships in the Optics division with some of the world's leading Telcos, including Verizon, AT&T, and America Movil in America, as well as France Telecom, Deutsche Telekom Vodafone and Telefonica in Europe. Key recent wins in the division include China Telecom, Softbank, SKB Korea and CHT Taiwan.

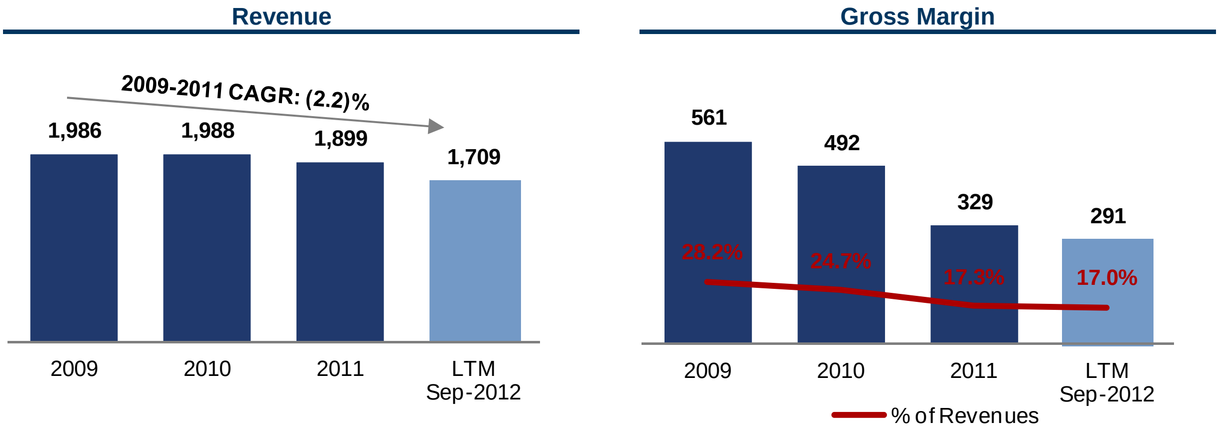
Key Financials for Terrestrial Optics Division

Terrestrial optics witnessed low single digit decline in 2009-2011, and accelerated to double-digit decline in the LTM ending Q3'12.

This was driven by faster decline in legacy technologies (SDH/SONET, legacy cross-connect and 10G WDM), partially offset by slower shift to next-generation technology (100G WDM, 1830 platform). The share of next generation product (HLN portfolio) jumped from 29% in 2009 to 43% in YTD 2012. Furthermore, 100G adoption ramped up from 2010 onwards, with 60% market share, while 100G port shipments increased by almost 4x between 2011 first nine month and 2012 first nine month.

The Terrestrial Optics Gross Margin has been negatively impacted due to lower volumes, partially offset by the positive impact of next-generation technologies due to their common platform and time to market advantage.

Figure 29: Key Historical Financials – Terrestrial Optics (€m)



Source: Company

Over the near and medium term, Management sees further potential in its cost effective solution for all IP network transformation IP/MPLS networking, the entry into Metro WDM with the new Packet-optimized 1830 product (2013) and well as novel distributed data center interconnection solution.

Going forward, IPD and terrestrial will be under the same management to further improve the synergies between the two domains and take advantage of the convergence trend in the market place between the IP layer and the Optics layer.

3 Submarine Optics (Networks)

The Submarine Optics sub-division is part of the Optics division, together with the Terrestrial Optics sub-division.

Market Overview

The Submarine Optics market covers the design, manufacturing, marketing and installation of optical networking equipment to transport information over fiber optic connections over long distances under the sea.

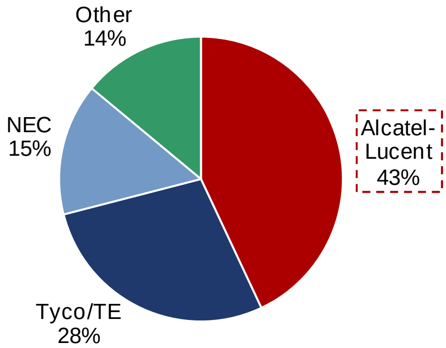
Submarine is a c. €2bn cyclical business with two main sub-segments:

1) Cable, terminal equipment and repeaters: which requires very specific technology and has high barrier to entry
2) Marine installation & maintenance: where key is ownership of vessel with experienced crew

The main customer in this division are international consortia of telecommunication service providers or large enterprises that need to deal with the massive bandwidth requirements on international routes to serve sustained traffic growth, fuelled by broadband internet and video. There are also new connectivity needs in Africa, South-East Asia and Latin America.

The main players competing with Alcatel-Lucent are set out below.

Figure 30: Submarine Optics Market Share (2011)



Source: Company

Alcatel-Lucent Strategy and Performance

Alcatel-Lucent produces undersea cables, terminal equipment and submarine repeats and maintains a global marine services fleet for the laying and maintenance of submarine cables.

The Company is the world leader in submarine optics, thanks to a unique integrated business from fiber manufacturing over cable installation to maintenance activities. The Company has a very large project base around the globe. It has recently won three major contracts – with Pacific Caribbean Cable System (Florida to Ecuador), with Angola-WACS (West African Cable System) and with Main One Cable (Portugal to Nigeria) in maintenance. Although the activity has been lumpy in the last few years, the Company expects a recovery in 2013 and 2014. In the submarine division, the Company benefits from being the market leading provider of turn-key system provider as well as marine co-venture with Louis Dreyfus Armateurs, which offers a strong competitive advantage in the marine installation and maintenance division.

Key Financials for Submarine Optics Division

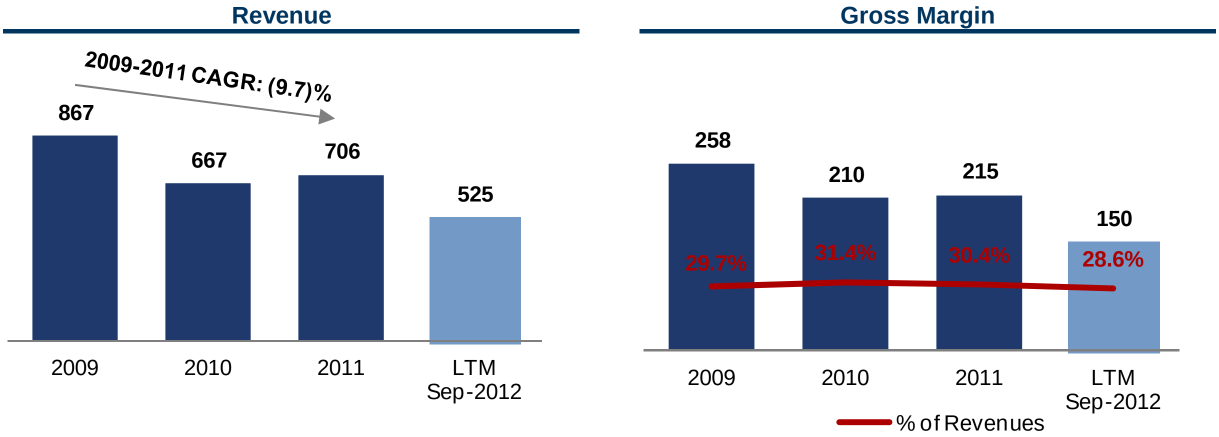
Over the last three years, revenues in the Submarine Optics sub-division have fallen at a CAGR of 9.7%.The Submarine business is cyclical and the industry is currently in a cyclical low for new submarine installations. Nonetheless, in 2010 and H1 2011, Alcatel-Lucent benefitted from several wins in deployments, extensions and upgrades across all regions driven by the need to increase connectivity among different part of the world and prepare for the 'video explosion' across the globe, driving data traffic.

There were major wins in 2010, such as ACE (a major link between Europe and Africa) eFive Telecoms and WACS extension, Oi Globenet, Bezeq International, Seychelles Cable System and Unifi; and in early 2011 with

Seamewe4 (Southeast Asia-Middle East-Western Europe 4 Upgrade), Vanuatu-Fiji in South Pacific, or ASC International (Singapore to Australia).

Activity is now in the low point of the cycle. Recently tendering activity is picking up as suggested by the recent wins and on-going request for proposals. Submarine Optics Gross Margin was stable throughout the period 2009-2011.

Figure 31: Key Historical Financials – Submarine Optics (€m)



Source: Company

Over the near and medium term, the Company anticipates a reversal of the cyclical low as well as further opportunities from its marine maintenance business, diversification into the oil & gas service market and new cable projects launched.

4 Wireless (Networks)

Market Overview

Vendors in the wireless market provide the infrastructure and services necessary to operate wireless communication networks using a variety of technologies. It is a c. €27bn market with flattish growth perspectives in the medium term but very strong growth in several sub-segments such as LTE and small cells.

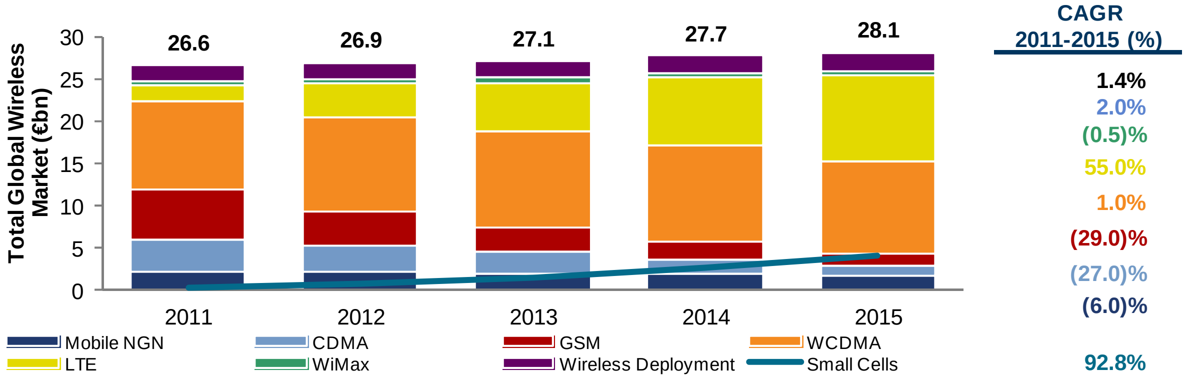
There are rapid technological changes taking place, however: significant growth of 4th generation networks (LTE, +55% anticipated growth 2011-15) is offsetting declines in 2G/3G legacy technologies such as CDMA and GSM, with WCDMA remaining largely flat. Legacy technologies will continue to decline as part of the technology mix in the coming years although at a slower pace than over the recent period.

Of note, the small cell market (across all technologies), in which Alcatel-Lucent is a market leader, is expected to grow from €0.3bn in 2011 to €5bn in 2016 at a 93% CAGR.

CREDIT SUISSE

Goldman Sachs

Figure 32: Global Wireless Market (€bn)

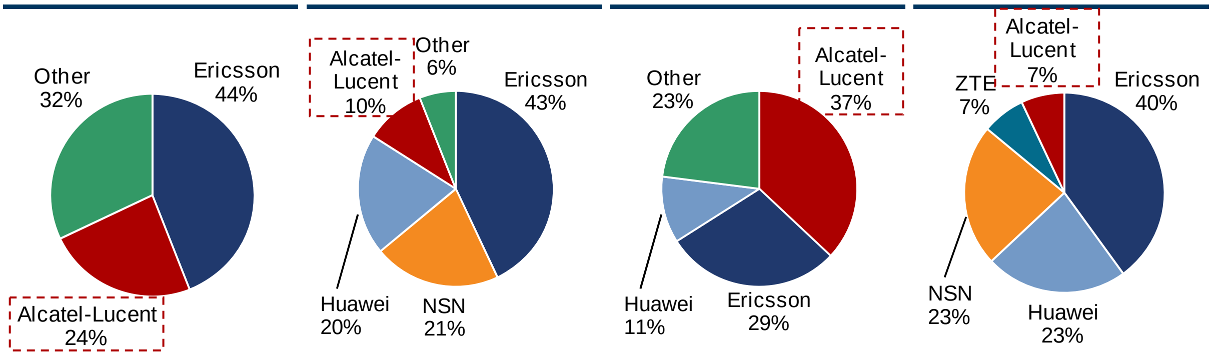


Source: Company

The main customers for this division are telecommunication service providers and strategic industries (e.g. public safety LTE). They turn to Alcatel-Lucent for LTE acceleration or capacity expansion, cost efficient densification solutions, RAN consolidation (especially in Europe) as well as outsourcing solutions.

According to Gartner, in 2012, site modernization has been driving the mobile infrastructure market, especially in Europe and APAC. Looking ahead, upgrading WCDMA to HSPA and HSPA+ to increase data capacity, as well as improving coverage, is still likely to account for most capex in the near term. 3G is most used to provide full coverage and LTE will be deployed to meet traffic demand in city areas. Small-cell solutions and Wi-Fi offload are becoming the mainstream technologies for accommodating the boom in mobile data services. Data heavy mobile communication services are expected to drive growth in IMS. The effect is likely to be felt mainly in the session border controller (SBC) and softswitch market segments. The main players competing with Alcatel-Lucent vary by sub-sector and are set out below.

Figure 33: Wireless Market Shares by Subsector (2011)



Source: Company

Alcatel-Lucent Strategy and Performance

Alcatel-Lucent's activities focus on wireless product offerings for 2G (GSM/GPRS/EDGE, CDMA), 3G (UMTS/HSPA/CDMA EV-DO) and 4G networks (LTE). As a key element to Alcatel-Lucent's portfolio, lightRadio™ was launched as a platform that provides operators a converged Radio Access Network (RAN) that enables capacity upgrades more quickly and cost effectively. The company is also very focused on small cells and mobile NGN voice core.

A significant part of Alcatel-Lucent's business is with large-tier operators in North America (Verizon, AT&T, Sprint) and China (China Telecom, China Mobile, China Unicom), which constitute the backbone of Alcatel-Lucent's competitive strength, and other fast growing regions (Oi in Brazil). Orange, Vodafone, Etisalat, Orascom are also key customers. These long-standing trusted client relationships are the foundation of Alcatel-Lucent's success.

Despite a trend towards commoditization which tends to benefit lower cost competitors, Alcatel-Lucent has performed well in this division due to its strong operational track record and scale (features, installed base). It has gained several successful large scale LTE deployments in some key markets. In the United States, the Company has been selected by all of the three largest carriers (AT&T, Verizon and Sprint) for LTE roll-out. Alcatel-Lucent has a high wireless penetration in the US already, and has been able to sell more to its established customer base due to its superior products, a strategy it should be able to replicate in other markets. In China, Alcatel-Lucent has for instance benefitted from largest share for the TD-LTE trial extension at China Mobile. The Company has also been awarded the largest share of the latest trial by Oi in Brazil and Etisilat in Middle-East and Africa, Lastly, Alcatel-Lucent benefits from its strong position in mobile GW in IP, which allows the Company to offer an end-to-end convergent, HLN based solution.

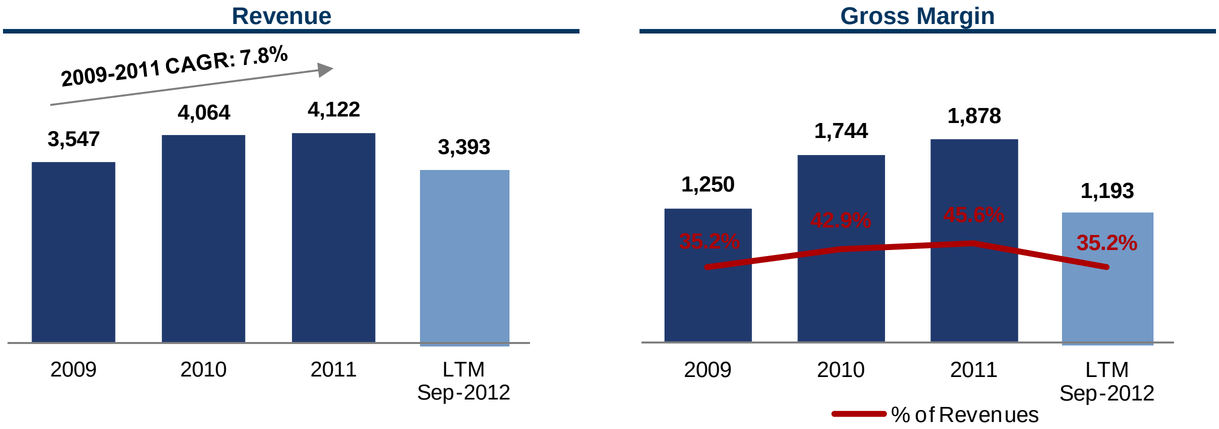
The Company also benefits from the roll-out of small cells layer with lightRadio™ innovation.

Key Financials for Wireless Division

Over the last three years, revenues in the wireless division have grown at a CAGR of 7.8% on the back of market share gains and Alcatel-Lucent's reinvigorated product offering. 2010 and 2011 witnessed substantial growth driven by a spending boom in CDMA and the take off of 4G LTE to cope with the increased penetration of smartphones and massive use of videos, especially in North America, where Alcatel-Lucent has a very strong position with the major service providers AT&T, Verizon and Sprint. The recent decline in the wireless business has been driven by spending delays in China preparing for 4G roll out, a c. 50% yoy decline in CDMA spending in the US while LTE is ramping up and the ongoing decline in EMEA due to the weak macroeconomic environment.

Wireless Gross Margin has grown between 2009 and 2011, reflecting volume growth and positive mix with higher margin CDMA technology. In LTM Sep-2012, the margin decrease was driven by lower volumes, and by the decline in CDMA.

Figure 34: Key Historical Financials – Wireless (€m)



Source: Company

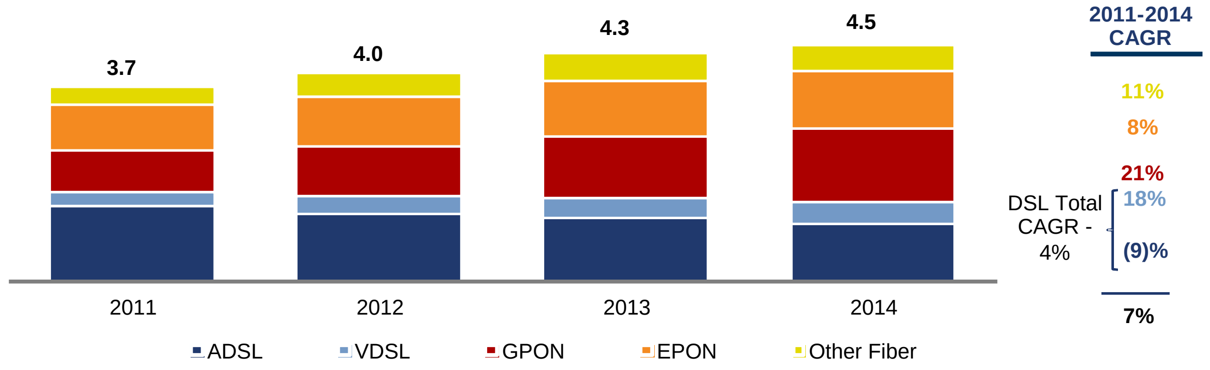
In the medium term, Management sees significant potential in the small cells architecture, which Alcatel-Lucent is leading.

5 Wireline (Networks)

Market Overview

The wireline market relates to fixed broadband access, supporting large deployments of video, voice and data services over broadband. Overall, the fixed networks market is c. €4.5bn large and expected to grow at a 7% CAGR 2011-2014. There are two particularly profitable and fast growing segments in which Alcatel-Lucent participates: VDSL with €0.4bn, 18% yoy growth, and GPON with €1.4bn, 21% yoy growth 2011-2014. In addition, the Company seeks to increase its exposure to the session border controller market.

Figure 35: Global Wireline Market (€bn)



Source: Company

The main customers in this market are fixed/converged service providers and public broadband consortiums worldwide. They are focused on the acceleration of ultra-fast broadband access deployment; also, fixed access technology is a critical requisite for backhaul, especially with small cells stimulus.

According to research firm Gartner, telecom operators are expected to invest further in new fixed broadband access technologies due to growth in data traffic and high bandwidth competition. Investments in fiber-rich broadband access continue, boosted by competition, government incentives and subscriber demand. For telecom operators seeking shorter term and lower cost investments, VDSL2 and vectoring are increasingly attractive solutions. Medium term, tests of 10 gigabit GPON systems and installing GPON and point-to-point active Ethernet systems in anticipation of Next Generation-Passive Optical Networks are attractive growth areas. Lastly, small cells, in which the Company has a very strong position, offer a boost to growth in both the Wireless and Wireline divisions.

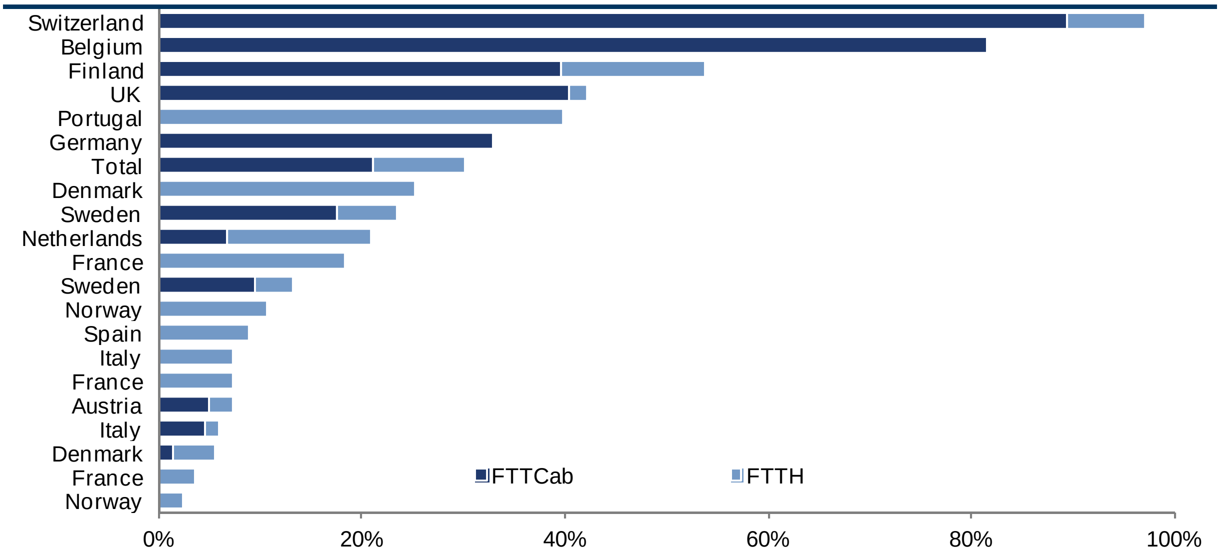
As shown in the following table, European Telco players have significant plans for fiber rollout after an initially slow investment process given regulatory uncertainty. This represents a material opportunity for expansion for Alcatel-Lucent.

Table 1: European Telco Fiber/ VDSL Upgrade Plans

Operator	Plans	Bandwidth	Planned Coverage
BT	■ £ 2.6bn investment for FTTP/C upgrade by spring of 2014. An additional £ 1 bnfor the BDUK programme if backed by public funds	■ 50-100Mbps	■ 66% of UK premises by spring of 2014 (with around 25% of these being FTTP and the remainder FTTC)
kpn	■ Hybrid fibre/copper network strategy with VDSL upgrading (through pair-bonding, vectoring and phantoming) and rolling out of FTTH going forward	■ Up to 50 Mbps for VDSL / 100 Mbps for FTTH	■ 20% of Dutch households through FTTH by 2013 - 70% of Dutch market with minimum speed of 40 Mbps by end of 2012 and 76% by the end of 2013
belgacom	■ Hybrid fibre/copper network strategy through VDSL2 vectoring technology - and marginally through fibre-to-the-node (FTTN) rollout	■ Up to 30Mbps for VDSL/ 50Mbps for VDSL2	■ VDSL2 upgrade with speed of up to 50 Mbps to a vast majority of Belgium households by the end of 2014
Deutsche Telekom	■ VDSL upgrade (through vectoring essentially) and marginal FTTC roll out	■ Up to 50 Mbps for VDSL / 200 Mbps for FTTH	■ VDSL footprint to reach 63% of German households (c.24 million homes) by 2016 from 12 million homes today ■ 75% of German Households with minimum speed of 50Mbps by the end of 2014[1]
TeliaSonera 2	■ SEK5bn investment in fibre until 2014	■ 30-60 Mbps	■ 38% of Swedish households through Fibre (almost 1 million homes) in 2014 and upgrade of 800,000 homes to VDSL2 by the end of 2013
france telecom	■ €2bn FTTH roll out plan by 2015 / VDSL expansion in rural areas	■ 100 Mbps	■ 40% of French households (10 million homes, covering 3,600 cities) by 2015 Full fibre network distribution during the period 2020-25
swisscom	■ Hybrid fibre/copper network strategy through VDSL and FTTC	■ Up to 50 Mbps for FTTC/VDSL and up to 200 Mbps for FTTH	■ 30% FTTH coverage (around one million households in Switzerland) by the end of 2015
Telefonica	■ Mix of continuing ADSL upgrade on existing network and selective roll out of FTTH, starting with large cities.	■ -	■ N.A.

Source: Moody's European Cable Operators Report (Nov-2012)
(1) Subject to more clarity on German government funding and regulatory framework going forward.
(2) TeliaSonera owns approximately 45% of the fibre infrastructure in Sweden, while Telenor holds 26%. (Source Telenor). As yet, no fibre plan has been announced for Telenor.

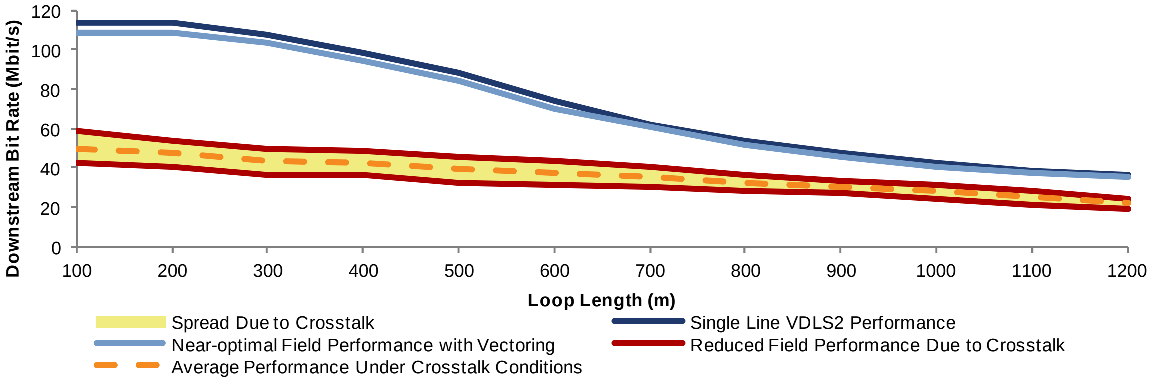
Figure 36: Incumbent Telco Fiber Build at Mid 2012



Source: Industry Analyst

There are significant opportunities for growth in VDSL through vectoring. Vectoring enables higher bit rates over copper by cancelling crosstalk between all VDSL2 lines. This means that all lines need to be under full control of a single service provider for optimal performance gains, i.e. vectoring is ideal for Open Access Platforms.

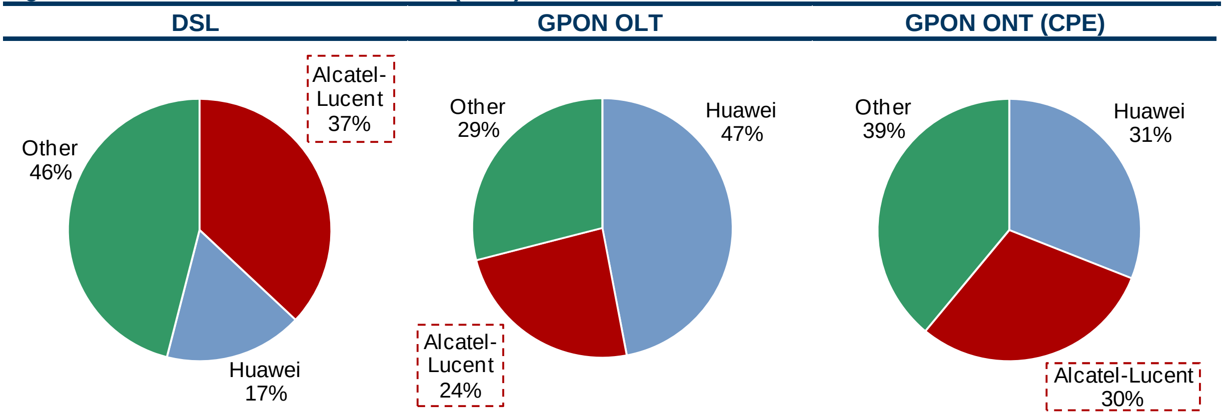
Figure 37: VDSL Speed Comparison (Mbit/s)



Source: Industry Analyst

The main players with which Alcatel-Lucent competes are set out below by segment.

Figure 38: Wireline Market Share (2011)



Source: Company

Alcatel-Lucent Strategy and Performance

The Company's family of IP-based fixed access products provides support for both copper and fiber- and copper-based broadband access to the customer's premise or to use them in highly optimized combinations. The IP Multimedia Subsystem (IMS) activities are focused on the delivery of session and media gateway control. Another key area of focus is VDSL2, offering vectoring capabilities to increase bandwidth that can be delivered over existing copper infrastructure.

Despite a trend towards commoditization, Alcatel-Lucent has been able to compete effectively due to operational excellence and technological superiority. This translates into #1 and #2 positions in the wireline broadband market respectively in DSL and GPON.

This is evidenced by the key customer relationships in the wireline divisions with market leaders such as AT&T, Verizon, Bell Canada in the Americas, China Telecom, China Unicom, China Mobile in Asia-Pacific and all the major tier one operators in Europe. Recently, China, with significant fiber access equipment uptake, and Europe, with renewed interest in DSL through VDSL2 vectoring solutions, have been key drivers of success.

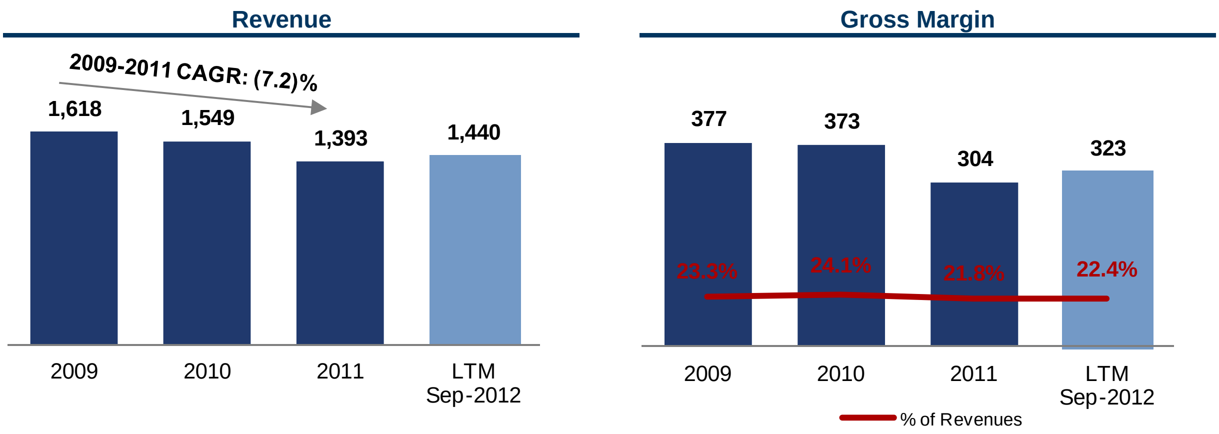
The Wireline business has decreased by high single digits between 2009 and 2011, driven by the decline of legacy technologies (TDM, ATM DSL), only partially offset by progressive broadband access growth. Since 2009, instead of expanding wireline capacity, service providers have instead focused on wireless spending (in the US), and are under capex constraints in Europe given weak cashflow generation and pressure to deleverage.

Alcatel-Lucent's next generation Wireline product portfolio (IPDSLAM, fiber-based access products) grew from 45% in 2009 to 77% in 2012. This explains why 2012 LTM returned to growth as new technology now accounts for the majority of the activity in the division.

The broadband access growth has been driven by the expansion of fiber, especially PON in Asia Pacific (recent quarters growing in excess of 75%), and more recently by the revitalization of copper thanks to major innovations (VDSL bonding and vectoring that are now used in large trials, especially in Europe for instance by Belgacom).

Wireline Gross Margin was resilient over the period, as the positive impact of new technology compensated the impact of lower volumes in legacy.

Figure 39: Key Historical Financials – Wireline (€m)



Source: Company

In the medium term, Management remains optimistic about the Wireline division. Increasing fixed networks broadband availability remains a key objective of governments worldwide. As mobile data growth expands rapidly, fixed networks become critical for backhaul and small cells. Lastly, there are increasing opportunities to integrate GPON with IP/Optics products as evidenced by recent announcement made by AT&T and Deutsche Telekom.

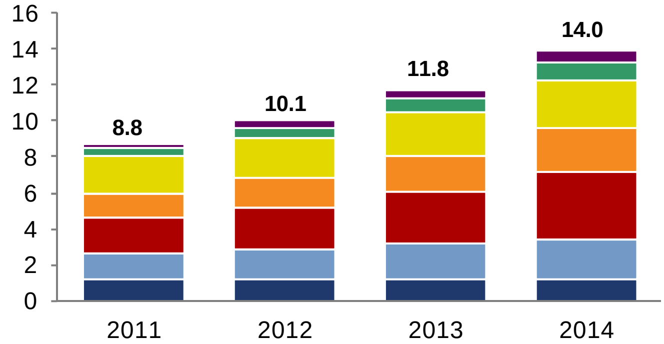
6 Network Applications (Software, Services & Solutions)

Market Overview

The Network Applications refer to activities related to the development and sale of solutions that combine software, services and partnerships to address key telecommunication service provider market opportunities. As such, network applications address a c. €9bn market enjoying fast growth (17%), in several sub-segments:

- Control (IMS, Payment, Messaging): €5bn, 15% growth
- Decision analytics (Mobile Commerce, CxT): €2bn, 21% growth
- Exposure (Application enablement): €1bn, 39% growth
- Telco cloud (emerging business)

Figure 40: Network Applications Market (€bn)



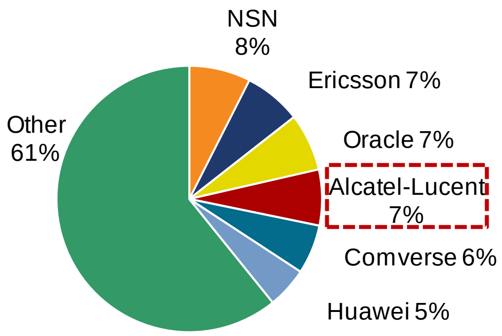
	CAGR % 2011-2014
Application Enablement	**39%**
Mobile Commerce	**28%**
Customer Experience	**10%**
Telco Cloud (Starting 2012)	**20%**
IMS (end-to-end) & SDM	**24%**
Payment, Policy & SC	**16%**
Messaging (Legacy)	**0%**
Total	**17%**

Source: Company

The customers in this division are primarily telecommunication service providers. They require support related to efficient and scalable service creation and delivery platforms (e.g. IMS VoLTE), the take up of mobile data services, tiered pricing for different business service level packages, cloud solutions enabling new services to enterprises as well as analytics and experience optimization.

The main players competing with Alcatel-Lucent in what is a highly fragmented market are set out below.

Figure 41: Network Applications Market Shares (2011)



Source: Company, Industry Analyst
Note: There is not 100% consistency as areas of strength may be different between competitors

Alcatel-Lucent Strategy and Performance

Alcatel-Lucent's Network Applications combine software, services and network hardware to address key customer challenges and opportunities in the areas of advanced communications, mobile commerce, payment and charging, customer experience and application enablement.

Alcatel-Lucent's competitive strengths relate to key control, optimization and analytics experience enablers over all-IP networks. These are highly strategic for operators as they permit experience creation and new services on-boarding. Moreover, there are several important Alcatel-Lucent innovations in the field such as Cloudband, customer experience solutions/motive, as well as best-in-class assets (Policy, IMS). The Network Applications division represents a fast growing domain at the intersection between network and IT in which Alcatel-Lucent is already involved with top customers and has a clear path to drive virtualization in telecom networks.

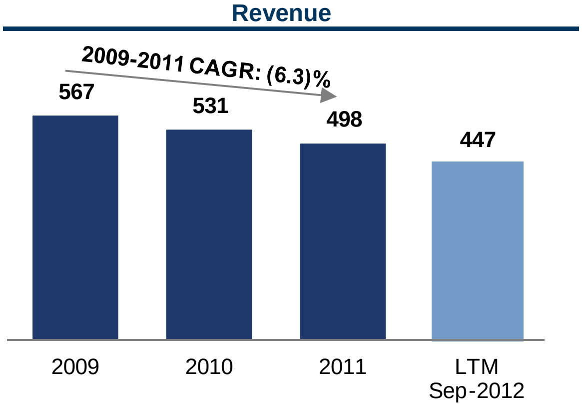
Alcatel-Lucent works with most of the world's leading telecommunication service providers. Its clients cover a diversified portfolio along Alcatel-Lucent's network positions: Verizon, AT&T, Saudi Telecom, Vodafone, Sprint, China Mobile, China Telecom, France Telecom, Globacom, China Unicom.

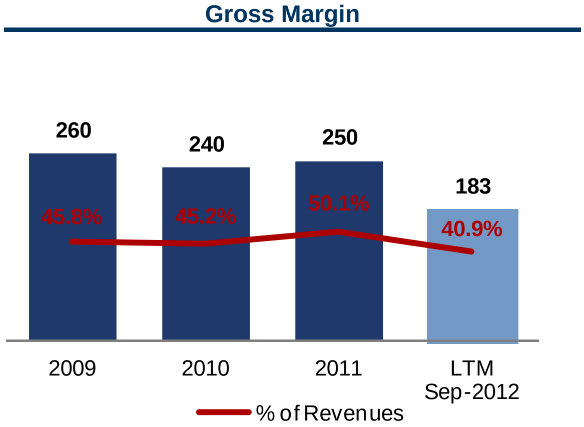
Network Applications decreased at a mid-single digit throughout the period 2009-2011. Its decline accelerated in LTM due to the termination in Q4 2011 of a resale activity.

Overall, the decline over the period reflects a major revamping of the product portfolio undertaken since 2009, which has focused on key segments like next generation payment, mobile advertising and customer experience. Next-generation solutions now encompass new payment solution renovated in order to accommodate the rising smartphone penetration and evolving end-user billing plans (SurePay solution in the US), or customer experience solutions (Motive), that are becoming a sizeable business (around €80m in 2011), driven by smartphone proliferation (solution that make configuration easier).

The Network Applications Gross Margin to Q3 2012 was driven in by decline of legacy technologies.

Figure 42: Key Historical Financials – Network Applications (€m)





Source: Company

Looking forward, Management sees significant opportunities in Cloudband, analytics for customer experience (Motive), smart charging (bundled with DSC/policy) as well as mobile Commerce (Optism). Furthermore, management anticipates that as IMS control grows with VoLTE, there could be potential upside in IMS applications.

7 Professional Services (Software, Services & Solutions)

The Services division includes various types of services targeted at design, integration, management and maintenance of networks worldwide. It encompasses expertise in consulting, planning, design integration and optimization, operations management and maintenance of complex, multi-vendor, end-to-end telecommunications networks, as well as design, delivery and operations of network-based software solutions. The product portfolio includes:

- Professional Services
- Managed & Outsourcing solutions
- Multivendor Maintenance
- Product-Attached Maintenance
- Networks Build and implementation

Below, Professional and Managed Services divisions are discussed in turn and financials for the Services division are presented at the end.

Market Overview

The telecommunication professional services market deals with consulting, design integration, operations management and maintenance of complex, multi-vendor end-to-end telecommunications networks. The Company views this as a €19bn market opportunity segmented into two distinct categories:

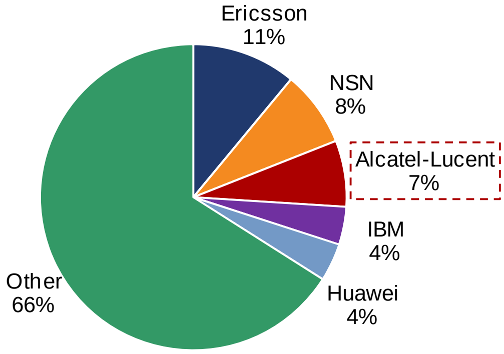
- Professional network integration (€17bn, >5% growth p.a. in the near term). This is mainly related to the design, planning, integration and transformation of network infrastructure and carrier applications/ platforms (OSS/BSS, billing and service layer transformation)

- Consulting services (€1.5bn, >5% growth p.a. in the near term). This is mainly related to advisory on network transformation (diagnostic, planning, business models)

Key customers in this division are telecommunication service providers and verticals, including third-party integration. They turn to Alcatel-Lucent for help with LTE deployment, cloud model, virtualization, adoption of video technologies as well as customer experience transformation and cost optimization.

Key competitors in this relatively fragmented market are set out below.

Figure 43: Services Market Share (2011)



Source: Company

Alcatel-Lucent Strategy and Performance

Alcatel-Lucent is a world leader in supplying services for telecommunications service providers and strategic industries (transportation, energy and public sector), with expertise in consulting, design integration, operations management and maintenance of large scale telecommunications networks. The Company offers services to transform networks to next-generation wireless as well as converged all-IP platforms. These all-IP platforms are efficient, intelligent and optimized to deliver new services, content and applications.

Alcatel-Lucent has been able to compete effectively in this market due to linkages with product or application portfolio strengths in particular. As a result, the Company services some of the world's leading telecom operators, including AT&T, Sprint, Verizon, Orange, Telefonica, OI, Telstra, KPN, SFR.

About half of Professional Services revenues are based on activities with strategic industries, which has been a key area of progress for the Company. Strategic industry wins were especially in security (such as BDBOS Security Forces in Germany), in transportation (such as Switzerland Railways) and oil & gas (several contracts wins in Australia).

8 Managed Services (Software, Services & Solutions)

Market Overview

Managed Services relate to third party providers taking over the operation of telecommunication service providers' networks.

The market can be broadly segmented into three distinct categories:

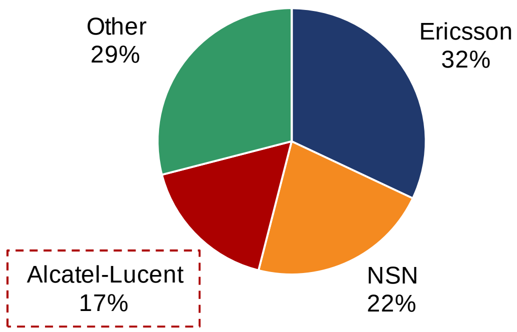
1) High customer value outsourcing: €1bn, 18% growth
   - Managed transformation: €0.5bn, 15% growth
   - End to end services management: €0.3bn, 20% growth
   - Networks/HLN platform services: €0.1bn, 25% growth
2) Network outsourcing and maintenance: €9bn, 12% growth

- Carrier network outsourcing: €8bn, 12% growth
- Multi vendor maintenance: €0.5bn, 15% growth

3) NOC Services: €1bn, 12% growth

The customers in this division are primarily telecommunication service providers and in particular mobile players as well as industry verticals. They require services related to re-focusing of business models along customer service and apps/services value chain as well as passive and active infrastructure sharing, especially in Europe. The main players competing with Alcatel-Lucent in this market are set out below.

Figure 44: Managed Services Market Share (2011)



Source: Company

Alcatel-Lucent Strategy and Performance

The Managed Services practices provide options for simplifying network transformations, reducing the risk of introducing new solutions, and reducing operating expenses by using a standard set of tools and other resources (technology and people) to manage customers' networks.

Alcatel-Lucent competes based on its operational excellence (tools, processes) as well as its scale through the consolidation of multi contracts per country, regional and global NOC configurations. Moreover, there are important synergies with wireless infrastructure revenues.

Looking forward, Management has decided to attempt to restructure or exit 15 less profitable Managed Services contracts as part of the recently announced Performance Program, which is expected to result in a material improvement in profit margins.

Key Financials for Services (Professional and Managed Services)

Below we present key financials for the Services, combining the products divisions Professional Services, Managed Services, Maintenance and Network Build and Implementation

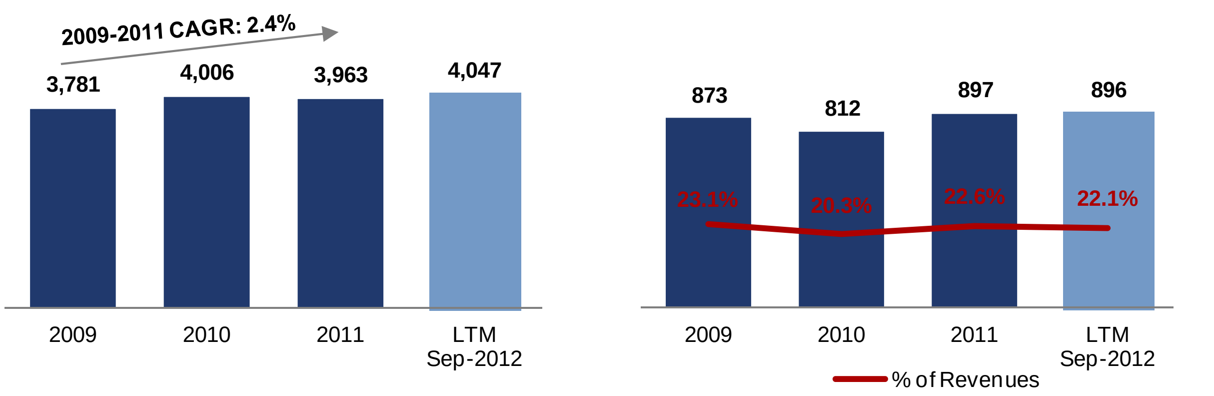
Activity in the segment has been growing modestly since 2009, with different trends:

- Managed services grew at double digit rates, driven by new contracts wins (JV with Bahrti Airtel, Vivacom in Bulgaria, China Unicom and Etisalat in Nigeria among others).
- Professional services grew, driven by network transformation to all-IP and system integration, especially in North America, and also by strategic industry wins.
- Maintenance activities (product-attached and multivendor) were largely stable.
- Network Build and Implementation (which focus on civil works) reflected network build-out activity. It benefitted from large North American roll-outs but was negatively impacted by political unrest in North Africa and Middle East which delayed projects.

Services Gross Margin was stable, reflecting mixed trends: volumes growth and further selectivity in some contracts, offset by the impact of unprofitable managed services former contracts.

Figure 45: Key Historical Financials – Services (Managed + Professional) (€m)

Revenues | **Gross Margin**



Source: Company

Looking ahead, the Company is undertaking a review of selected Managed Services contracts in order to restructure or exit less profitable contracts. This is anticipated to result in a material improvement in profit margins. Furthermore, wireless (LTE), Optics and IP upsides are likely to translate more Services (such as LTE/optical network roll-outs, engineering services, maintenance). Management also sees upside in Services based on platform assets, in particular customer experience and IMS. In parallel to the Services Providers customers, there are strategic industries opportunities, which are verticalized businesses with carrier-grade services requirements (mainly in oil & gas, transportation, and public sector).

9 Enterprise

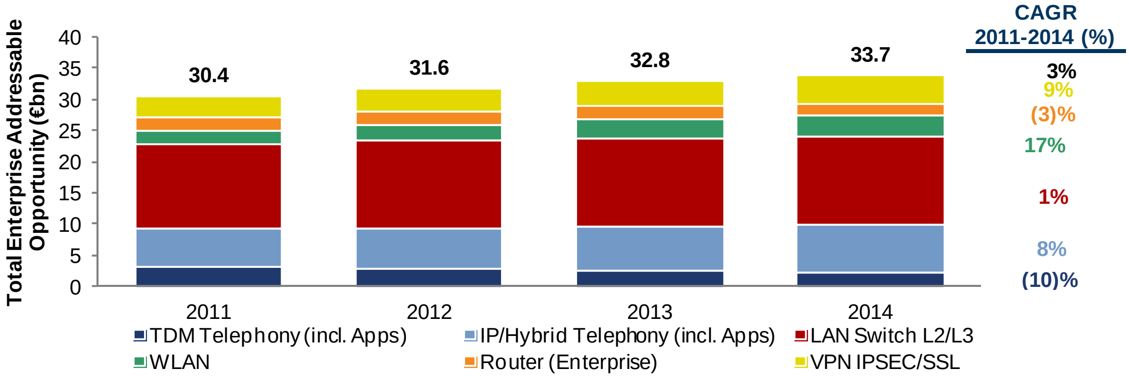
Market Overview

The Enterprise segment delivers solutions to improve conversations across employees, customers and partners by driving multi-media, multi-device, multi-party communications and collaboration.

The Enterprise market represents a €31bn opportunity (3% growth) including three sub-segments:

1) Telephony and Applications (“Voice”) (€9bn in 2012)
   - TDM Telephony (€3bn)
   - IP/Hybrid Telephony (€6bn)
2) Data Infrastructure (€19bn)
   - LAN Switch L2/L3 (€14bn)
   - WLAN (€3bn)
   - Enterprise Routers (€2bn)
3) VPN IPSEC/SSL (“Security”) (€4bn)

Figure 46: Enterprise Market (€bn)



Source: Company

The main customers in this market are medium and large enterprises based on a largely indirect revenue model. The primary focus is in Western Europe. Customers are looking for means of improving user experience leveraging apps and mobile devices in the voice segment as well as high performance, low-cost, scalable solutions in the data segment.

The main players competing with Alcatel-Lucent in this market are Cisco, Avaya, Siemens, Juniper and Checkpoint.

Alcatel-Lucent Strategy and Performance

Alcatel-Lucent offers unified communication and collaboration applications, i.e. fixed and mobile unified communications software and products that integrate communications networks with in-house data, systems and business process platforms to provide anytime, anywhere access to business data across the enterprise. It also offers communications platforms and telephony solutions, i.e., next generation enterprise communications that deliver multimedia, multi-device, multi-party communication to enterprise employees across site and locations. Lastly, the Company has comprehensive project management and professional services in its portfolio; these are offerings for large enterprises, carriers and customers in a wide range of vertical markets.

Alcatel-Lucent benefits from several distinct competitive strengths. It is a leading player in Western Europe with a large installed base and fast growing data switches portfolio; it offers a low-cost alternative to Cisco/Avaya and has a strong presence in key verticals including telecommunications, government, healthcare, education, transportation, energy and utilities.

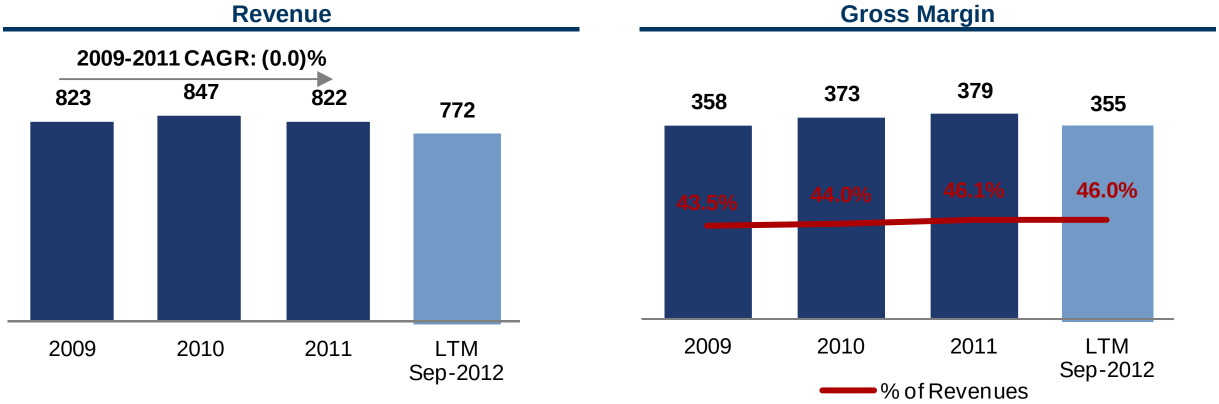
Key customers in this segment include NextiraOne, Orange, Alliance-Com, Deutsche Telecom, MGCE.

The Enterprise business has been resilient over the period 2009-2011 but declined LTM Q3 2012 due to the uncertain economic environment in Europe, where most of Enterprise business is located. Nonetheless, there was good traction in data networking, with mid to high single digit growth, due to a renewed portfolio such as Omniswitch 10k, Omniswitch 6900 for data centers.

Genesys is excluded from the below figures, a business that was sold at the beginning of 2012.

Gross Margins have been fairly stable over the period as productivity gains and a new portfolio have compensated lower volumes.

Figure 47: **Key Historical Financials – Enterprise (excluding Genesys) (€m)**



Source: Company

Looking forward, Management sees significant opportunities in the transformation to IP/SIP and personal cloud models, increased demand in the data centers as well as growth in emerging markets.

10) Research & Development

Alcatel-Lucent places a priority on research and development because innovation creates technologies and products that can differentiate the Company from its competitors and can potentially generate new sources of revenue. Research is undertaken by Bell Labs, Alcatel-Lucent's world-renown research arm. In addition to the new products and technologies brought to market, in 2011 and 2012 the Company's R&D community and Bell Labs continued to achieve advances across a wide range of disciplines – from optical networking to eco-sustainable ("green") technologies, to wireline and wireless technologies. The following are examples of some of ongoing projects:

- In 2011, Alcatel-Lucent introduced a new network processor that delivers a fourfold increase in performance over the fastest Internet Protocol (IP) networks available today. By supporting 400 Gbps transmission speeds, the FP3 processor opens up new possibilities for bandwidth-intensive services, applications and content, while cutting power consumption by up to 50%.

- Alcatel-Lucent's lightRadio™ product made its debut at Mobile World Congress in February 2011. The cube sized device represents a new approach where a base station (typically located at the base of each cell site tower) is broken into its antenna and a cloud-like network. Since its launch, the lightRadio™ team has made tremendous strides, including connecting the world's first long-distance, high-quality mobile video-call using lightRadio™. The lightRadio™ team is building collaborative partnerships with several large carriers, including China Mobile and Telefonica. It also has won several industry awards, including the CTIA E-Tech Award, Light Reading's Best New Product in the Mobile category, and the Broadband World Forum Infovision Award.

- In Dec-2011, Alcatel-Lucent made a major advance in 100Gbps optical networking by introducing a breakthrough in single-carrier coherent technology that will extend optical signals over distances far greater than has been possible before, even over poor quality fiber. 400G Photonic Service Engine (PSE) is the first-ever commercially available electro-optics chip capable of driving traffic up to 400 gigabits per second (Gb/s). Versatile and scalable, it dramatically boosts the performance of 100G networks today and lays the foundation for 400G transport down the road.

- Alcatel-Lucent is a world leader in VDSL and has made numerous breakthrough inventions in the field. VDSL2 took copper to higher speeds. Now, the world's first commercial VDSL2 vectoring technology turbo charges broadband on copper to 100 Mbps and beyond.

As a result of this research – with a cumulative R&D spend of $55bn by Alcatel-Lucent and Lucent in the last 15 years – the Company benefits from a large and valuable patent portfolio, with c. 45k total patent assets, including c. 30k granted patents (average remaining life of 9 years) and c. 15k pending applications (average remaining life of 16 years).

Management believes a more aggressive patent monetization approach could bring profits from patents in line to those of key peers. To that end, the Company has entered into an agreement with patent licensing company RPX, then decided to manage its patent portfolio with a dedicated profit center and appointed Craig Thompson (formerly of Nokia, instrumental in facilitating the significant increase in patent monetization 2010-2011) in Nov-2012 to lead a new business unit managing the intellectual property portfolio.

11) Group Cash Management and Liquidity

Parent, Borrower and their subsidiaries utilize a centralized cash management system, pursuant to which funds generated from their respective operations are swept daily to one or more bank master accounts held by Parent. The funds in these accounts are disbursed from time to time to fund the working capital and other financing needs of Parent's direct and indirect subsidiaries. Parent and Borrower maintain accounting records that reflect these intercompany transfers as part of their debt/cash position.

Upon the closing of the Loans, it is expected that Borrower will transfer the proceeds of the Loans (the "Loan Proceeds") into one or more of Parent's bank accounts that are part of this cash management system, and as a result Borrower will have an unsecured intercompany debt claim against Parent for such amounts. Such Loan Proceeds, together with the existing funds in this cash management system, are expected to be used from time to time for the respective working capital needs of Parent, the Borrower and/or their subsidiaries, including the repayment of certain outstanding indebtedness of Parent, Borrower and/or other subsidiaries that is maturing in the near-term. Borrower is not liable, either as a primary obligor or a guarantor, on certain of such indebtedness that may be repaid from liquidity in the cash management system.

While we have no reason to believe (x) that Alcatel-Lucent USA ("Borrower") is or, upon closing of the Loans, will be, rendered insolvent or (y) that Borrower will not receive reasonably equivalent value in connection with its use of the Loan Proceeds, if we are mistaken and both of clauses (x) and (y) are the case, then the furnishing of the Loans to Borrower and Borrower's use of the proceeds of the Loans could be challenged as fraudulent transfers under federal and state law, and remedies may be sought (either within or outside of a bankruptcy filing), which could include (i) the unwinding of those transfers, and/or the termination of the Lenders' liens or (ii) repayment of the portion of the transferred Loan Proceeds found to be a fraudulent conveyance.

In late November 2012, the board of Alcatel-Lucent USA received correspondence from a purported holder of Alcatel-Lucent USA debentures and trust preferred securities asserting that Alcatel-Lucent USA was insolvent or near insolvent and further asserting that certain intercompany loans extended from time to time to its parent Alcatel Lucent constitute fraudulent transfers and/or illegal dividends. In light of Alcatel-Lucent USA's solvency, which will be certified to by an officer of the Borrower in connection with the closing of the financing, Alcatel-Lucent USA believes the allegations made lack any merit.

VII. Corporate Repositioning and the Performance Program

In response to the deteriorating macro environment, the deep technological changes and the slowing down of European service providers' LTE roll-out strategy, the Company decided in the summer of 2012 to re-focus its strategy and initiate a significant cost saving exercise in order to transform/restructure the appropriate organization to support the refined strategy.

The strategic pillars of the refocused Alcatel-Lucent are:

1) Take advantage of long term trends in the carrier network infrastructure market, especially in IP and Optical
2) Leverage leadership position in IP, Optical and VDSL/FTTX Fixed Broadband Access to enable all-IP infrastructure
3) Capitalize on disruptive innovations at Bell Labs
4) Implement a profit run approach towards a unique patent portfolio
5) Adapt cost base to new environment and exiting/restructuring unprofitable geographies/markets

In line with this strategic vision, on July 26 2012, Alcatel-Lucent announced a restructuring Performance Program which represents a significant forward step in the company's transformation. The program targets €1.25bn costs savings by year-end 2013, with €500m and €750m realized in 2012 and 2013, respectively.

Specifically, there are four components of the Program:

1) Additional global headcount reduction of around 5,500 people
2) Exiting or restructuring 15 unprofitable managed services contracts with associated headcount reduction (5 to be exited by year end)
3) Exiting or restructuring of unprofitable markets
4) Managing patent portfolio as an independent profit center

As a result of the refined strategy and these combined restructuring measures, the **Company is targeting Gross Margins of around 35-37% and adjusted[1] operating margins of 6-9% by 2015.**

Below, we discuss each aspect of the Program in turn.

1) Focus on Costs

The Company's strategy for eliminating costs is based on reduced staff in back office functions, substantial reductions in Corporate Executive positions and an acceleration of the real estate footprint reduction.

The Company targets a cost reduction of €1.25bn by year-end 2013 of which €500m has been announced in November 2011 and €750m in July 2012. As of September 2012, 35% of the overall objective and 90% of the 2012 target had been achieved. Currently, the Company is on track to over-achieve its full year 2012 target which is respectively €300m and €200m of variable and fixed costs reduction.

- On the fixed costs side, more than €300m of reductions have been achieved, mainly in SG&A, IS/IT and Real Estate
- On the variable costs side, c.€150m of reductions have been achieved through third parties renegotiations/ consolidation and process improvement

Alcatel-Lucent aims at reducing its workforce by c. 5,500 by 2013 (excluding Managed Services contracts under review) in order to align the Company' structure with its smaller, refocused scale. The reductions are likely to be focused on Europe (c.60%), on specific functions and excludes contractors. Support and back offices functions are a major area of reduction with c.60% of the cuts targeted at the SG&A level. Substantial reductions will also take place at the corporate executive level (c.30%). The exit from several Managed Services contracts, which currently have associated headcount of 14,000 in total, could result in further reductions.

Importantly, and in line with the Company's ongoing commitment to innovation, R&D functions will be exempt from this workforce reduction under the ongoing Performance Program in 2012 and 2013.

The Company is in process of undergoing the relevant consultations with labor representatives.

[1] *Adjusted for purchase price allocation entries related to Lucent business combination.*

Figure 48: Overview of Planned Headcount Reductions by Region

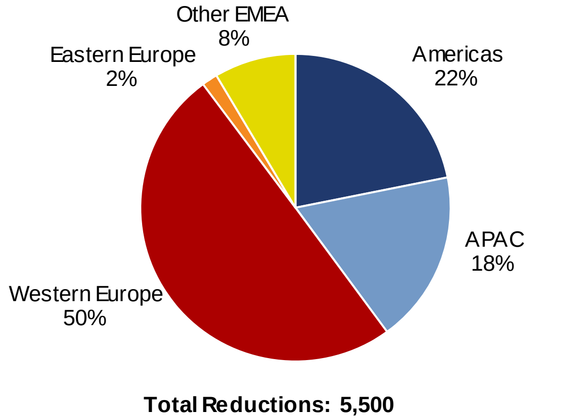
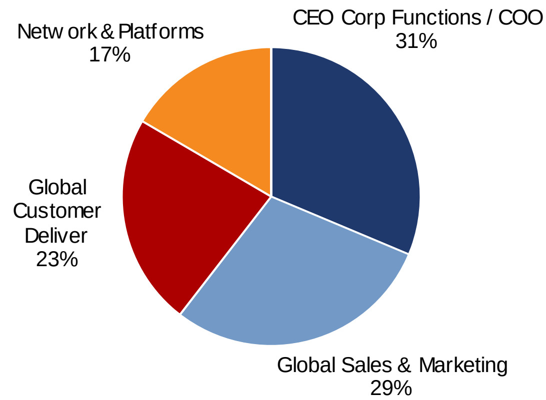


Figure 49: Overview of Planned Headcount Reduction by Function



Source: Company

2) Focus on Contracts

Alcatel-Lucent plans to exit/restructure unprofitable Managed Services contracts – the contracts that are being reviewed have a negative impact on overall Group Gross Margin. Thus, their exit/restructuring should significantly improve Group margins going forward. In the past, the Company entered into a number of contracts with telecommunication providers to service their network operations, the terms of which result in unprofitable levels. Management has identified 15 managed services contracts, representing c.€600m in revenue, out of a total 68 contracts, representing c.€1bn in revenue, that are materially below the corporate average profit margin. To address these, the Company is engaging in constructive negotiations with the affected telecom operators. The current plan is to exit or restructure five contracts by year-end 2012, with the remainder to be addressed by the end of 2013.

Although the program is expected to lead to a top-line reduction over the next 24 months in Managed Services, profitability is expected to improve starting in Q1 2013 as a result.

3) Focus on Geographies

Alcatel-Lucent aims to improve its geographical mix and exit/restructure unprofitable markets. To that end, the Company has re-evaluated its coverage strategy in order to simplify its operating model. The Company has sales activity in 180 countries. Yet, the top 60 countries represent 96% of revenues. To rectify this imbalance, the Company intends to adapt its go-to-market strategy whereby it would address c.45 markets through sales channels only (indirect sales to all customers in the country), and 15 countries through exports only (simplified operating model, direct sales to customers, no permanent headcount in the country).

This re-alignment is expected to result in a reduction of the complexity for pre-sales, order management and networks roll-out and thus should ultimately have a positive impact on capital employed.

Overall, the Company intends to focus on some markets, most notably the U.S., Asia-Pacific and selected geographies such as Latin America or Middle-East.

4) Focus on Assets

Alcatel-Lucent aims to improve the way it monetizes its significant pool of assets.

Going forward, Alcatel-Lucent's patent portfolio will therefore be managed as an independent profit centre. Moreover, a new Head of Intellectual Property business has been named who has significant experience increasing the royalty income from telecommunication patent portfolios. Also, the RPX patent agreement announced earlier in 2012 has been modified to remove exclusivity and the company has actively engaged with third parties that might be infringing on its patents in order to increase royalty collection.

Lastly, to improve the liquidity profile of the group, Management is also considering the divestiture of non-core assets. **The Company is currently evaluating options for the divesture of several distinct businesses with expected sale proceeds of €1.0-1.5bn.**

VIII. Historical Financial Overview

1) Summary Financial Performance

The table below summarizes Alcatel-Lucent's historical financial performance on a consolidated basis for the period 2009 through Sep-2012.

Table 2: Annual Historical Income Statement

	Year ended 31-Dec			LTM
(€m)	**2009**	**2010**	**2011**	**Sep-2012**
IP	1,177	1,465	1,585	1,847
Optics	2,853	2,654	2,605	2,234
Wireless	3,547	4,064	4,122	3,393
Wireline	1,618	1,549	1,393	1,440
Other & eliminations	(119)	(89)	(52)	(41)
Total Networks	9,076	9,643	9,654	8,873
Services (Professional and Managed)	3,781	4,006	3,963	4,047
Network Applications	567	531	498	447
Other & eliminations	(4)	0	(1)	(1)
Total Software, Services & Solutions	4,344	4,537	4,461	4,492
Enterprise	1,139	1,185	822	772
Of which Genesys	316	338	-	-
Other	598	631	391	363
Revenues	15,157	15,996	15,327	14,500
% growth	*(10.8)%*	*5.5%*	*(4.2)%*	NA
IP	625	809	827	905
Optics	818	702	544	441
Wireless	1,250	1,744	1,878	1,193
Wireline	377	373	304	323
Other & eliminations	(13)	(1)	(1)	(1)
Total Networks	3,057	3,627	3,551	2,862
Services (Professional and Managed)	873	812	897	896
Network Applications	260	240	250	183
Other & eliminations	6	0	(1)	1
Total Software, Services & Solutions	1,139	1,052	1,146	1,080
Enterprise	614	642	379	355
Of which Genesys	256	269	-	-
Other & Eliminations	301	250	284	231
Gross Margin	5,111	5,571	5,360	4,528
% margin	*33.7%*	*34.8%*	*35.0%*	*31.2%*
SG&A	(2,795)	(2,781)	(2,526)	(2,321)
R&D Net	(2,372)	(2,503)	(2,315)	(2,305)
Networks	(297)	187	263	(267)
Software, Services & Solutions	162	30	227	232
Enterprise	36	83	25	(9)
Other & Eliminations	44	(12)	4	(54)
Adjusted operating income[1]	(56)	288	519	(98)
% margin	*(0.4)%*	*1.8%*	*3.4%*	*(0.7)%*
Adjusted EBITDA[2]	572	978	1,257	689
% margin	*3.8%*	*6.1%*	*8.2%*	*4.8%*

Source: Company

Source: Company, pro forma for divestitures. 2009 and 2010 include Genesys.
[1] Adjusted operating profit adjusted for purchase price allocation entries related to Lucent business combination.
[2] See Disclaimer-"Non-GAAP Financial Measures" for an explanation of "Adjusted EBITDA" and the end of this Information Memorandum for a reconciliation thereof.

Revenues increased by a CAGR of 0.6% 2009-2011 mainly driven by the strong performance of the Networks segment (3.1% CAGR 2009-2011) and more specifically the IP division. On the other end, Software, Services & Solutions experienced grow at a smaller pace with a 1.3% CAGR 2009-2011 partly due to Network Application & Network Build-Out decline, partially offsetting Professional growth and Managed Services double digit growth. Lastly, revenues from Enterprise have remained largely flat excluding Genesys, which was sold in early 2012.

Gross Margins increased by 1.3 percentage points from 33.7% in 2009 to 35.0% in 2011, although they have been under increasing pressure recently as illustrated by margins decreasing to 31.2% as of LTM Sep-2012. This is mainly attributable to product and geographic mix evolution driven by continued price pressure from Telcos and market share strategies of competitors as well as the decline in CDMA products before next generation products can fully contribute to higher margins (e.g. LTE, 100G). SG&A has been decreasing in absolute terms as well as relative to sales while R&D, the heart of Alcatel-Lucent's future growth, has remained relatively stable. Adjusted operating margin has increased from (0.4)% in FY2009 to 3.4% in 2011 but decreased to (0.7)% for LTM Sep-2012 mainly driven by the above-mentioned product shift dynamics.

Geographically, North America has been the key revenue driver with the remainder diversified across the globe and a strong impact from Asia Pacific.

Table 3: Annual Historical Revenues by Region

	Year ended 31-Dec			LTM
(€m)	**2009**	**2010**	**2011**	**Sep-2012**
North America	4,678	5,751	5,887	5,609
Asia Pacific	2,978	2,928	2,642	2,570
Europe	5,203	5,081	4,550	3,969
RoW	2,298	2,236	2,248	2,353
Revenues	15,157	15,996	15,327	14,500

Source: Company

Table 4: Annual Historical Cash Flow Statement

	Year ended 31-Dec			LTM
(€m)	**2009**	**2010**	**2011**	**Sep-2012**
Adjusted operating income[1]	(56)	288	519	(98)
% margin	*(0.4)%*	*1.8%*	*3.4%*	*(0.7)%*
D&A & other non-cash OP[2]	628	690	738	787
Adjusted EBITDA	572	978	1,257	689
Change in operating WCR	490	(63)	(200)	376
Change in other WCR	(19)	(64)	(135)	(269)
Operating cash flow	1,043	851	922	796
Interest	(172)	(257)	(253)	(209)
Taxes	(89)	(117)	(55)	(47)
Cash contribution to pension & OPEB	(226)	(226)	(185)	(172)
Restructuring cash outlays	(561)	(377)	(344)	(338)
Cash flow from operating activities	(5)	(126)	85	30
Capital expenditures	(691)	(692)	(558)	(559)
% Revenues	*(4.6)%*	*(4.3)%*	*(3.6)%*	*(3.9)%*
Free cash flow	(696)	(818)	(473)	(529)
Disposals, Discontinued, Cash from Financing & Forex	1,959	336	151	1,346
Debt Maturities & Early Repurchase	(1,244)	(327)	(993)	(234)
Cash Issuance New Notes	975	676	75	-
Other variation in Cash	(16)	252	33	365
Change in Cash & Marketable Securities	978	119	(1,207)	948

Source: Company

Operating cashflow before changes in working capital has been positive throughout the historical period 2009-11.

Cash tax payments have been limited over the period in part because the Company benefits from significant tax loss carry forwards, especially in the US. Cash contributions to pensions and OPEBs have been around €200 with limited volatility, thanks to tight control of pensions and significant overfunding in the US. Moreover, the close matching of pension assets and liabilities in the schemes reduces likely funding level volatility.

The Company has made significant restructuring cash payments over the period in order to right-size and realign the organization with Management's strategic priorities.

Capex spending has decreased from 4.6% of Revenues in FY2009 to 3.6% in FY2011 to 3.9% as of LTM Sep-2012.

Leveraged free cashflow generation after capital expenditure has been negative 2009 to LTM Sep-2012.

Source: Company, pro forma for divestitures. 2009 and 2010 include Genesys.
[1] Adjusted operating profit adjusted for purchase price allocation entries related to Lucent business combination.
[2] Including non cash items in adjusted Operating Profit.

Table 5: Annual Historical Balance Sheet

	Year ended 31-Dec			
(€m)	2009	2010	2011	Sep-2012
BoP Gross Cash & Marketable Securities	4,593	5,570	5,689	3,757
Annual Change	978	119	(1,207)	948
EoP Gross Cash & Marketable Securities	5,570	5,689	4,482	4,705
BoP Gross Financial Debt	(5,095)	(4,755)	(5,378)	(4,498)
Debt Maturities & Early Repurchase	1,244	327	993	234
Debt Issued	(975)	(676)	(75)	-
Accounting Valuation Debentures / Convertibles	12	(42)	(71)	(281)
Other	59	(232)	(88)	(233)
EoP Gross Financial Debt	(4,755)	(5,378)	(4,619)	(4,778)
Gross Financial Debt	(4,755)	(5,378)	(4,619)	(4,778)
Gross Cash & Marketable Securities	5,570	5,689	4,482	4,705
Derivatives interest rate instruments	43	42	36	33
Loan to joint venture	28	24	18	9
Derivatives FX instruments[1]	-	(15)	52	(53)
Cash / (Net Financial Debt)	886	362	(31)	(84)

Source: Company
Note: "BoP" stands for "Beginning of Period" and "EoP" stands for "End of Period".
[1] In 2009, excluding mark-to-market of FX derivatives, related to interloan groups, including in 2010 in disposals, discontinued, cash from financing and forex (€17m).

2) Current Trading September 2012

The table below summarizes Alcatel-Lucent's financial performance on a consolidated basis for Q3 2012, comparing it to Q3 2011 and Q2 2012.

Table 6: Quarterly Historical Income Statement

	Quarterly Financials			
(€m)	Q3 2011	Q2 2012	Q3 2012	YoY Change
IP	376	473	490	30.3%
Optics	582	542	480	(17.5)%
Wireless	1,032	877	837	(18.9)%
Wireline	308	350	389	26.3%
Other & eliminations	(13)	(12)	(8)	n.s.
Total Networks	2,285	2,230	2,187	(4.3)%
Services	996	959	1,058	6.2%
Network Applications	104	94	97	(6.7)%
Other & eliminations	-	(1)	-	n.s.
Total Software, Services & Solutions	1,100	1,053	1,155	5.0%
Enterprise	218	191	188	(13.8)%
Other	101	71	69	n.s.
Revenues	3,704	3,545	3,599	(2.8)%
Gross Margin	1,308	1,125	1,004	(23.2)%
% margin	*35.3%*	*31.7%*	*27.9%*	*(7.4)pt*
SG&A	(606)	(580)	(543)	(10.4)%
R&D Net	(553)	(576)	(586)	6.0%
Adjusted operating income[1]	149	(31)	(125)	N/M
% margin	*4.0%*	*(0.9)%*	*(3.5)%*	*7.5pt*
Adjusted EBITDA[2]	356	186	114	(47.9)%
% margin	*9.6%*	*5.2%*	*3.2%*	

Source: Company

Table 7: Quarterly Historical Revenues by Region

	Quarterly Financials			
(€m)	Q3 2011	Q2 2012	Q3 2012	YoY Change
North America	1,431	1,397	1,459	1.9%
Asia Pacific	691	620	680	(1.6)%
Europe	1,056	944	893	(15.6)%
RoW	526	584	567	8.4%
Revenues	3,704	3,545	3,599	(2.8)%

Source: Company

Q3 2012 revenues decreased by 2.8% y-o-y and increased by 1.5% vs. Q2 2012. Among the Company's divisions, IP and Wireline drove most of the growth experiencing 30.3% and 26.3% yoy growth respectively. This strength was partly offset by challenges in Optics and Wireless with respectively (17.5)% and (18.9)% yoy top line growth.

Source: Company information
Note: Figures are presented with Genesys business in discontinued operations for all periods in order to provide meaningful comparable information.
[1] *Adjusted for PPA impact.*
[2] *"Adjusted EBITDA" defined as operating income adjusted for PPA + depreciation and amortization + share base payment.*

North America performed well, offset by weakness in Europe. However, Latin America (limited contribution) continued to see strong growth (double-digit), including another positive sign, i.e. a 20% improvement in the order book in the High Leverage Network portfolio.

The Gross Margin deteriorated in Q3 2012 to 27.9% at €1,004m vs. 35.3% in Q3 2011 and 31.7% in Q2 2012. This under-performance was mainly due to a changing geographic and business mix (including among others technology transition from CDMA towards LTE) and the costs of addressing Managed Services contracts.

The adjusted operating income decreased by €(274)m in Q3 2012 to €(125)m vs. Q3 2011. This under-performance was driven by the Network division (3.1% margin in Q3 2011 to (6.8)% in Q3 2012) and more specifically by the unfavorable product and geographic mix in wireless with network roll-out in LTE replacing capacity upgrade in CDMA and GSM.

Table 8: Historical Cash Flow Statement (Quarterly)

	Quarterly Financials		
(€m)	**Q3 2011**	**Q2 2012**	**Q3 2012**
Adjusted operating income[1]	149	(31)	(125)
% margin	*4.0%*	*(0.9)%*	*(3.5)%*
Depreciation & Amortization[2]	207	217	239
Adjusted EBITDA	356	186	114
Change in operating WCR	(274)	(182)	14
Change in other WCR	(46)	(188)	(121)
Operating cash flow	36	(184)	7
Interest	(105)	(24)	(88)
Taxes	(8)	(38)	(12)
Cash contribution to pension & OPEB	(45)	(55)	(31)
Restructuring cash outlays	(99)	(80)	(93)
Cash flow from operating activities	(221)	(381)	(217)
Capital expenditures	(137)	(130)	(143)
% Revenues	*(3.7)%*	*(3.7)%*	*(4.0)%*
Free cash flow	(358)	(511)	(360)

Source: Company information

The Company carefully manages its balance sheet. It seeks to hold a material liquidity buffer, in part to compensate for c €1.1bn of cash restricted, mainly in China. Alcatel-Lucent also proactively hedges its risk, in particular foreign exchange.

The Company ended Q3 2012 with €4.7bn in cash and cash equivalents. As such, the Company's liquidity buffer remains substantial.

Source: Company information
Note: Figures are presented with Genesys business in discontinued operations for all periods in order to provide meaningful comparable information.
[1] Adjusted for PPA impact.
[2] Including non cash items in adjusted OP.

Table 9: Historical Balance Sheet (Quarterly)

(€m)	Quarterly Financials		
	Q3 2011	Q2 2012	Q3 2012
Gross cash including marketable securities[1]	3,757	5,009	4,705
(Gross financial debt)	(4,498)	(4,856)	(4,778)
Derivative interest rate instruments	35	31	33
Loan to joint venturer	19	10	9
Derivative FX instruments	67	42	(53)
Net cash / (Net financial debt)	(620)	236	(84)

Source: Company

3) Segmental Operating Performance

Networks: Internet Protocol

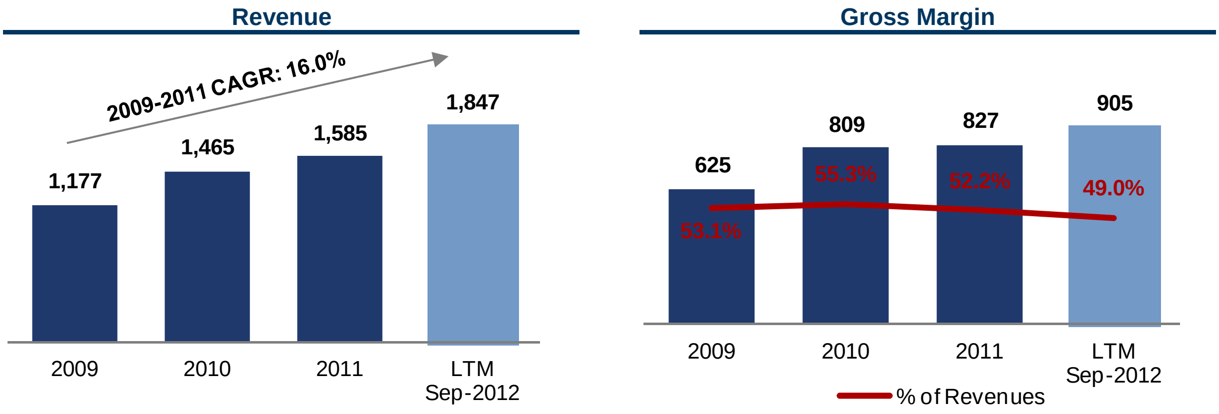
Over the last three years, activity in the IP division at 16.0% (CAGR 2009-2011) outperforming the IP edge market (+14% CAGR over the same period), driven by all-IP network transformation: deployment of IP/MPLS edge service routers (7750 Service Router family) and mobile backhaul to cope with video traffic explosion and move from voice/internet centric network to video centric network.

Growth at Alcatel-Lucent has been driven especially by Americas (c. +30%) over the period, with key customer wins like Verizon, AT&T, America Movil (IP backhaul) in Americas, or Korea (KT) and first meaningful revenues in China (China Telecom) and Japan (NTT Docomo in IP backhaul), in 2012 (growth in excess of 30% in 2012 LTM).

The IP division maintained a high level of innovation by addressing adjacent market like CDN through the Velocix acquisition, IP mobile backhaul in 2011, and the recent launch of IP core router to further expand its addressable market. Market share (in currently IP edge routers addressable market) grew to 23% in 2011 from 19% in 2009. Alcatel-Lucent ranked #1 in IP mobile backhaul.

IP Gross Margin has been stable over the period, in the 50 to 55% range.

Figure 50: Key Historical Financials – Internet Protocol (€m)



Source: Company

[1] *Cash on balance sheet includes cash and cash equivalents together with short term marketable securities as reported by the Company. Includes restricted cash and cash equivalents of €816m as of Q3 2012 (and restricted cash, cash equivalent and marketable securities of €1.185bn as of Q3 2012, in countries subject to exchange control restrictions).*

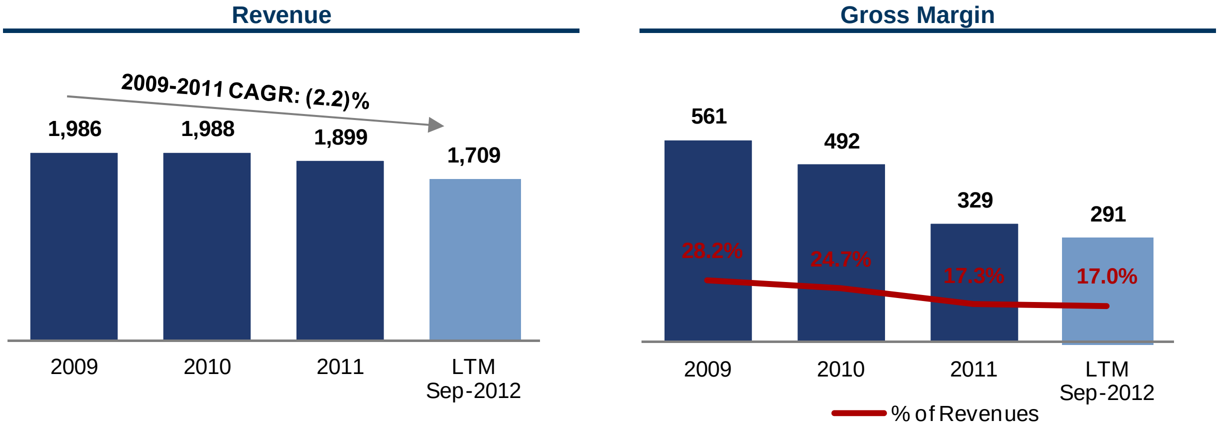
Networks: Terrestrial Optics

Terrestrial Optics witnessed low single digit decline in 2009-2011, and accelerated to double-digit decline in the LTM ending Q3 2012.

This was driven by faster decline in legacy technologies (SDH/SONET, legacy cross-connect and 10G WDM), partially offset by slower shift to next-generation technology (100G WDM, 1830 platform). The share of next generation product (HLN portfolio) jumped from 29% in 2009 to 43% in YTD 2012. Furthermore, 100G adoption ramped up from 2010 onwards, with 60% market share, while 100G port shipments increased by almost 4x between 2011 first nine month and 2012 first nine month.

The Terrestrial Optics Gross Margin has been negatively impacted due to lower volumes, partially offset by the positive impact of next-generation technologies due to their common platform and time to market advantage.

Figure 51: Key Historical Financials – Terrestrial Optics (€m)



Source: Company

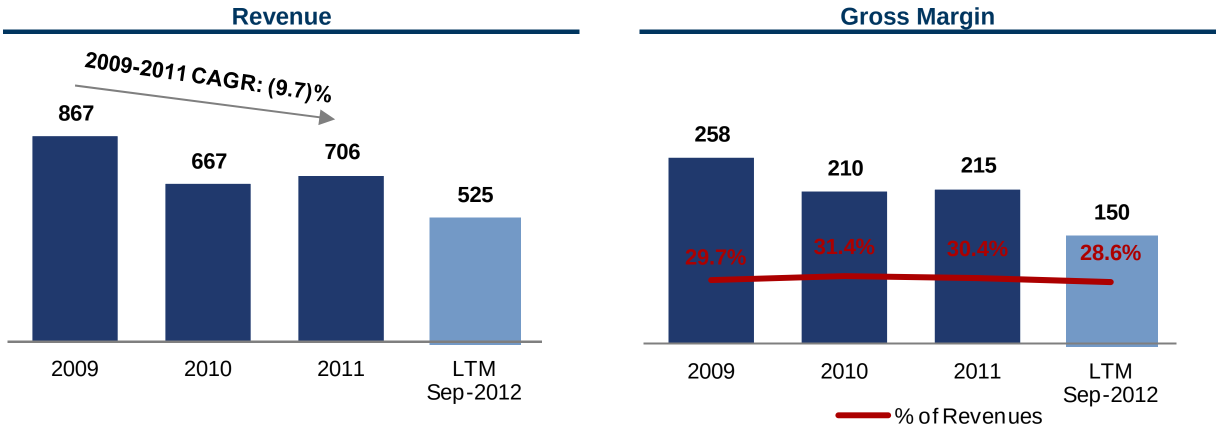
Networks: Submarine Optics

Over the last three years, revenues in the Terrestrial Optics sub-division have fallen at a CAGR of 9.7%.The Submarine business is cyclical and the industry is currently in a cyclical low for new submarine installations. Nonetheless, in 2010 and H1 2011, Alcatel-Lucent benefitted from several wins in deployments, extensions and upgrades across all regions driven by the need to increase connectivity among different part of the world and prepare for the 'video explosion' across the globe, driving data traffic.

There were major wins in 2010, such as ACE (a major link between Europe and Africa) eFive Telecoms and WACS extension, Oi Globenet, Bezeq International, Seychelles Cable System and Unifi; and in early 2011 with Southeast Asia-Middle East-Western Europe 4 upgrade, Vanuatu-Fiji in South Pacific, or ASC International (Singapore to Australia).

Activity is now in the low point of the cycle. Recently tendering activity is picking up as suggested by the recent wins and on-going request for proposals. Submarine Optics Gross Margin was stable throughout the period 2009-2011.

Figure 52: Key Historical Financials – Submarine Optics (€m)



Source: Company

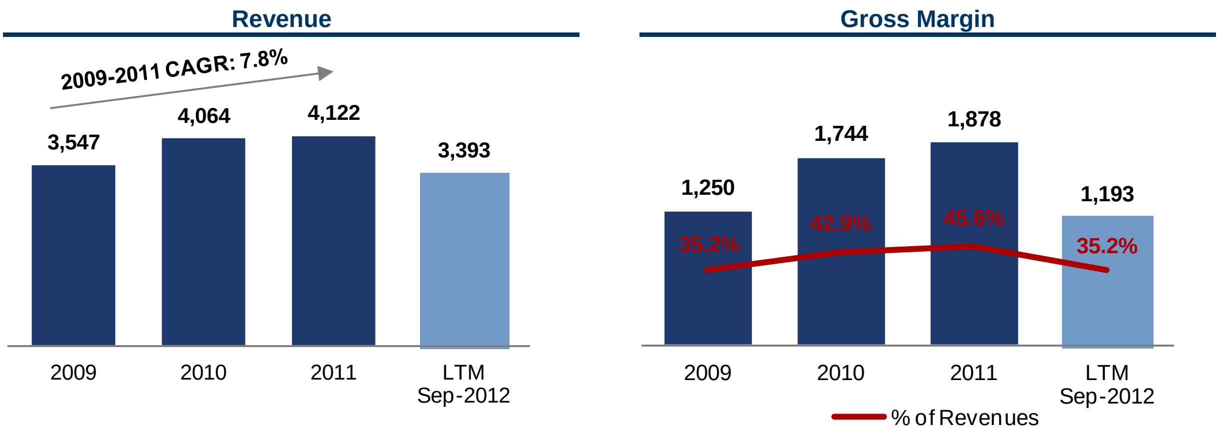
Networks: Wireless

Over the last three years, revenues in the Wireless division have grown at a CAGR of 7.8% on the back of market share gains and Alcatel-Lucent's reinvigorated product offering. 2010 and 2011 witnessed substantial growth driven by a spending boom in CDMA and the take off of 4G LTE to cope with the increased penetration of smartphones and massive use of videos, especially in North America, where Alcatel-Lucent has a very strong position with the major service providers AT&T, Verizon and Sprint. The recent decline in the wireless business has been driven by spending delays in China preparing for 4G roll out, a c. 50% yoy decline in CDMA spending in the US while LTE is ramping up and the ongoing decline in EMEA due to the weak macroeconomic environment.

In parallel to massive capacity increases in CDMA and W-CDMA, Alcatel-Lucent was selected for the three largest LTE nationwide roll-outs in the US: Verizon Wireless, AT&T and Sprint. The Company has also been awarded the largest share by China Mobile for their TD-LTE trial (Q4 2009).

Wireless Gross Margin has grown between 2009 and 2011, reflecting volume growth and positive mix with higher margin CDMA technology. In LTM, the margin decrease was driven by lower volumes, and by the decline in CDMA.

Figure 53: Key Historical Financials – Wireless (€m)



Source: Company

Networks: Wireline

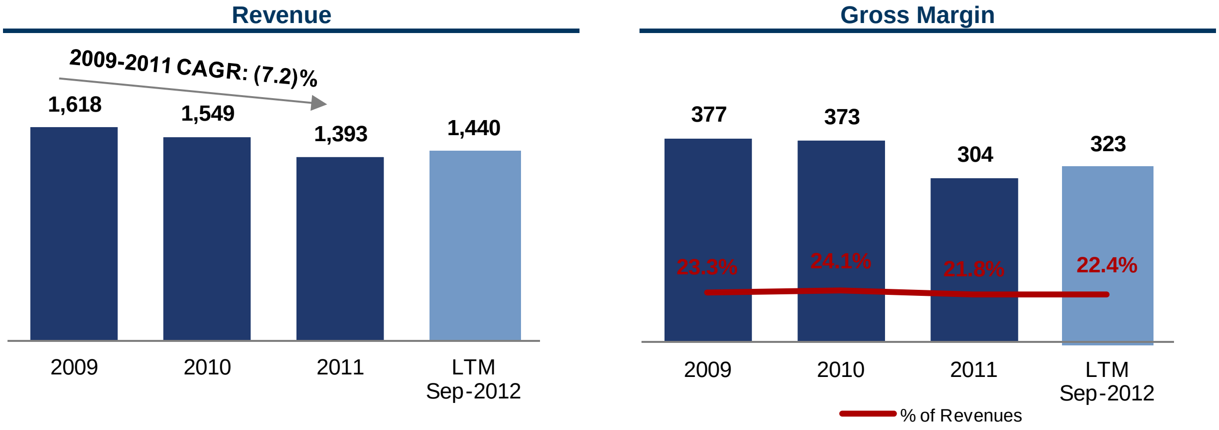
The Wireline division has decreased by high single digits between 2009 and 2011, driven by the decline of legacy technologies (TDM, ATM DSL), only partially offset by progressive broadband access growth. Since 2009, instead of expanding wireline capacity, service providers have instead focused on wireless spending (in the US), and are under capex constraints in Europe given weak cashflow generation and pressure to deleverage.

Alcatel-Lucent's next generation wireline product portfolio (IPDSLAM, fiber-based access products) grew from 45% in 2009 to 77% in 2012. This explains why 2012 LTM returned to growth as new technology now accounts for the majority of the activity in the division.

The broadband access growth has been driven by the expansion of fiber, especially PON in Asia Pacific (recent quarters growing in excess of 75%), and more recently by the revitalization of copper thanks to major innovations (VDSL bonding and vectoring that are now used in large trials, especially in Europe for instance by Belgacom).

Wireline Gross Margin was resilient over the period, as the positive impact of new technology compensated the impact of lower volumes in legacy.

Figure 54: Key Historical Financials – Wireline (€m)



Source: Company

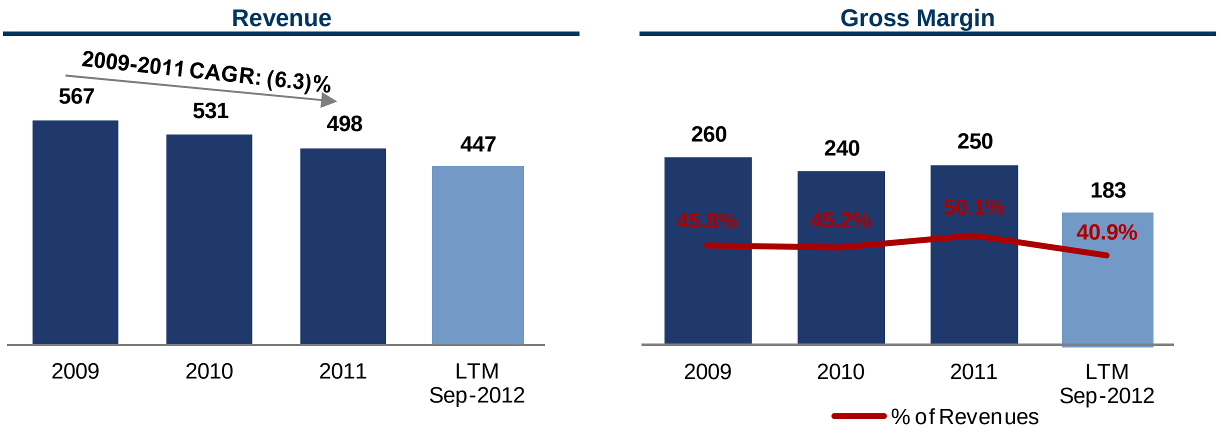
Network Applications

Network Applications decreased at a mid-single digit throughout the period 2009-2012. Its decline accelerated in LTM due to the termination in Q4 2011 of a resale activity.

Overall, the decline over the period reflects a major revamping of the product portfolio undertaken since 2009, which has focused on key segments like next generation payment, mobile advertising and customer experience. Next-generation solutions now encompass new payment solution renovated in order to accommodate the rising smartphone penetration and evolving end-user billing plans (SurePay solution in the US), or customer experience solutions (Motive), that are becoming a sizeable business (around €80m in 2011), driven by smartphone proliferation (solution that make configuration easier).

The Network Applications Gross Margin to Q3 2012 was driven in by decline of legacy technologies.

Figure 55: Key Historical Financials – Network Applications (€m)



Source: Company

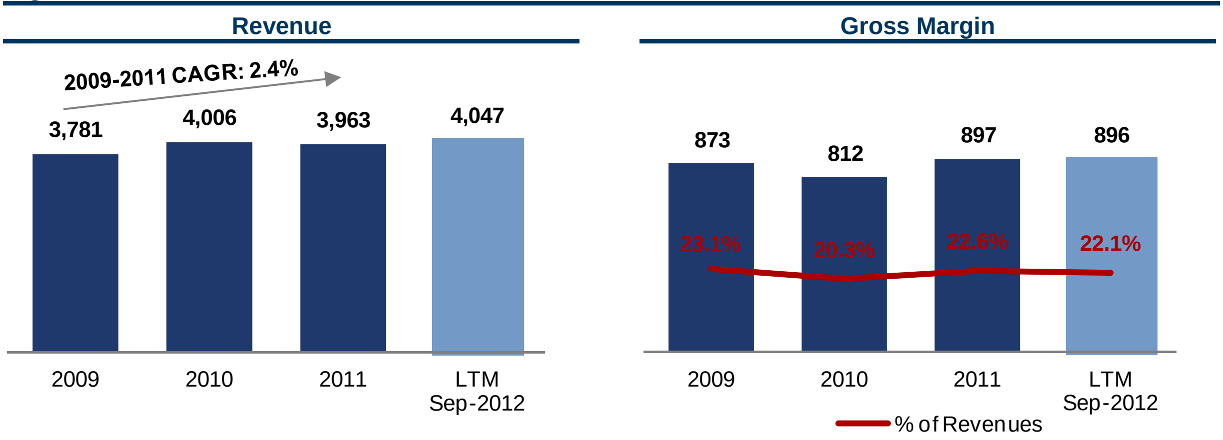
Services (Professional & Managed Services)

Activity in the Services has been growing modestly since 2009, with different trends:

- Managed services grew at double digit rates, driven by new contracts wins (JV with Bahrti Airtel, Vivacom in Bulgaria, China Unicom and Etislat in Nigeria among others).
- Professional services grew, driven by network transformation to all-IP and system integration, especially in North America, and also by strategic industry wins, especially in security (such as BDBOS Security Forces in Germany), in transportation (such as Switzerland Railways) and oil & gas (several contracts wins in Australia).
- Maintenance activities (product-attached and multivendor) were largely stable.
- Network Build and Implementation (which focus on civil works) reflected network build-out activity. It benefitted from large North American roll-outs but was negatively impacted by political unrest in North Africa and Middle East which delayed projects.

Services Gross Margin was stable, reflecting mixed trends: volumes growth and further selectivity in some contracts, offset by the impact of unprofitable managed services former contracts.

Figure 56: Key Historical Financials – Services (Managed + Professional) (€m)



Source: Company

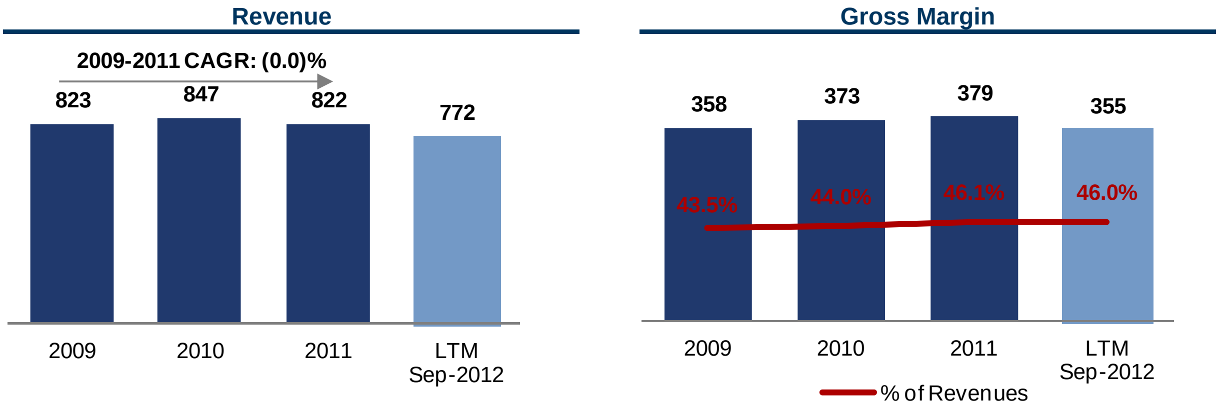
Enterprise

The Enterprise segment business has been resilient over the period 2009-2011 but declined LTM Q3 2012 due to the uncertain economic environment in Europe, where most of Enterprise business is located. Nonetheless, there was good traction in data networking, with mid to high single digit growth, due to a renewed portfolio such as Omniswitch 10k, Omniswitch 6900 for data centers.

Genesys is excluded from the below figures, a business that was sold at the beginning of 2012.

Gross Margin has been fairly stable over the period as productivity gains and a new portfolio have compensated lower volumes.

Figure 57: Key Historical Financials – Enterprise (excluding Genesys) (€m)



Source: Company

4) Funded Status of Alcatel-Lucent Pensions and OPEB

Alcatel-Lucent has significant pension as well as other post employment benefit obligations (OPEBs). Most of these are in the United States and Europe. Significantly over-funded U.S. pension plans permit, in part, the use of assets to fund OPEBs.

In recent years, most cash contributions have been to European pension plans. Most pension plan funding arrangements are multi-year (with variation by jurisdiction), offering the Company a relatively high degree of visibility on future outlays. The Company anticipates global pension and OPEB cash outlays of c. €200m p.a. going forward in line with the historical trend.

	30-Sep-2011		30-Jun-2012		30-Sep-2012	
(€m)	Pensions	OPEB	Pensions	OPEB	Pensions	OPEB
Fair value of plan assets	27,588	325	29,734	396	29,618	340
Benefit obligations	(25,844)	(3,282)	(28,746)	(3,561)	(28,459)	(3,460)
	1,744	(2,957)	988	(3,165)	1,159	(3,120)
Funded status	(1,213)		(2,177)		(1,961)	
Asset Ceiling	(1,803)	-	(1,277)	-	(965)	-
Net balance sheet	(3,016)		(3,454)		(2,926)	

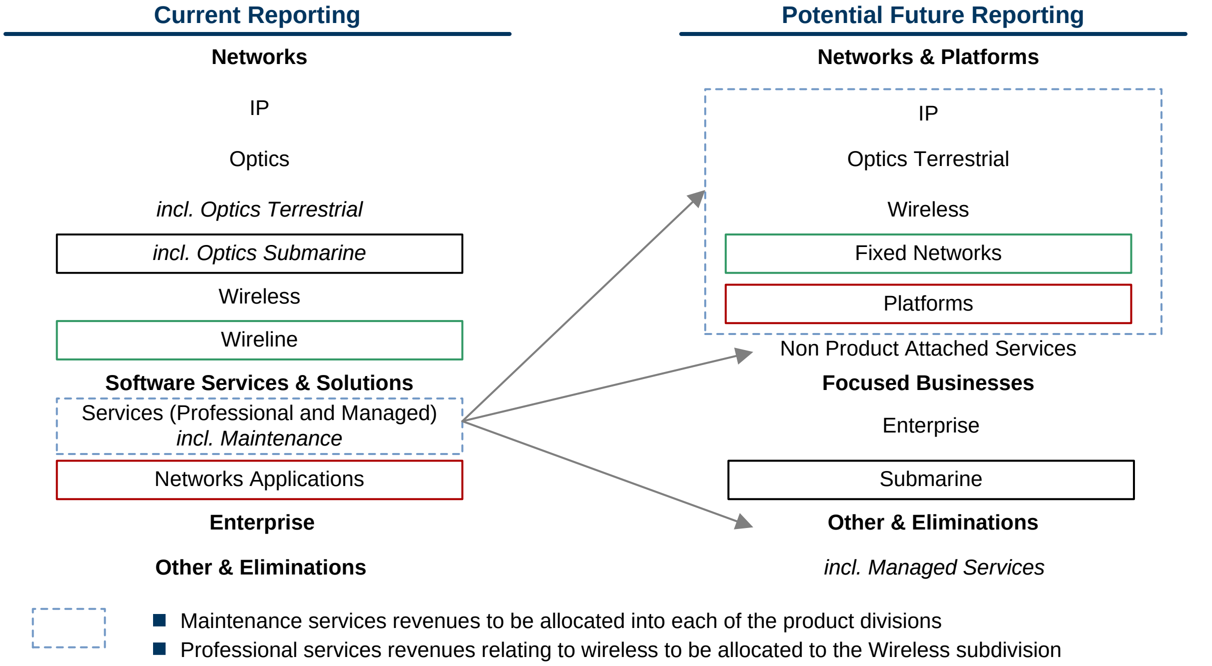
Source: Company

No contributions to US plans will be expected trough at least 2016.

5) Illustrative Re-Allocation of Maintenance P&L

Alcatel-Lucent generates significant revenues and income from the provision of maintenance services associated with particular products. These P&L items are currently reported as part of the Services segment. In order to illustrate the P&L driven by different business lines, the maintenance P&L has been illustratively re-allocated as per the below method.

Figure 58: Illustrative Reporting Structure After Re-Allocation of Maintenance



Source: Company

The Company is considering reporting its financial results on this re-allocated basis going forward. Illustrative financials under the re-allocated structure are shown in the following table. Under this new methodology, the Software, Services & Solutions would cease to be a separate reporting unit. Instead, the non-product attached services would become part of the Networks division (re-named Networks & Platforms) while Managed Services would be reported under 'Other'. The Enterprise and Submarine business divisions would be reported under a separate segment for Focused, i.e., vertically integrated, Businesses. The Wireline division would be re-named as Fixed Networks (including both maintenance as well as some professional services previously in Services). The Network Applications segment would be re-named Platforms and reported as part of the Networks segment as well.

This re-allocation does not affect the consolidated financials of Alcatel-Lucent at the Group level, i.e., total revenues, Gross Margins and adjusted operating profit for instance remain unchanged.

A final decision on the potential change in reporting has yet to be taken by the Company.

Table 10: Illustrative Re-Allocation of Maintenance P&L

Before Maintenance Re-Allocation (€m)	2011A	LTM Q3'12	After Maintenance Re-Allocation (€m)	2011A	LTM Q3'12
Total Revenue	15,327	14,500	Total Revenue	15,327	14,500
Networks	9,654	8,873	Networks & Platforms	12,535	11,873
IP	1,585	1,847	IPD (incl. Maintenance)	1,757	2,028
Optics	2,605	2,234			
o/w Terrestrial	1,899	1,709	Optics Terrestrial (incl. Maintenance)	2,096	1,923
o/w Submarine	706	525			
Wireless*	4,122	3,393	Wireless (inc. Maintenance)*	4,743	4,035
Wireline	1,393	1,440	Fixed Networks (incl Maintenance)	1,879	1,848
Other & eliminations	(52)	(41)	Other & eliminations	(1)	(1)
S3G	4,461	4,492			
Services	3,963	4,047	Non Product attached Services	1,393	1,412
Networks Applications	498	447	Platforms (incl. Maintenance)	668	628
Other & eliminations	(1)	(1)	Focused Businesses	1,529	1,297
Enterprise	822	772	Enterprise	822	772
Other & Eliminations	391	363	Submarine	706	525
			Other & Eliminations	1,264	1,330
			o/w Managed Services	925	1,008
Gross Margin	5,360	4,528	Gross Margin	5,360	4,528
% of revenues	*35.0%*	*31.2%*	*% of revenues*	*35.0%*	*31.2%*
Networks	3,551	2,862	Networks & Platforms	4,486	3,809
IP	827	905	IPD (incl. Maintenance)	911	1,002
Optics	544	441			
o/w Terrestrial	329	291	Optics Terrestrial (incl. Maintenance)	417	388
o/w Submarine	215	150			
Wireless*	1,878	1,193	Wireless (inc. Maintenance)*	2,057	1,383
Wireline	304	323	Fixed Networks (incl Maintenance)	529	525
Other & eliminations	(1)	(1)	Other & eliminations	(1)	(0)
S3G	1,146	1,080			
Services	897	896	Non Product attached Services	245	243
Networks Applications	250	183	Platforms (incl. Maintenance)	328	267
Other & eliminations	(1)	1	Focused Businesses	594	505
Enterprise	379	355	Enterprise	379	355
Other & Eliminations	284	231	Submarine	215	150
			Other & Eliminations	281	214
			o/w Managed Services	(3)	(17)
R&D expenses	(2,338)	(2,318)	R&D expenses	(2,338)	(2,318)
% of revenues	*(15.3)%*	*(16.0)%*	*% of revenues*	*(15.3)%*	*(16.0)%*
Net Capitalization & Capital Gain	23	13	Net Capitalization & Capital Gain	23	13
% of revenues	*0.1%*	*0.1%*	*% of revenues*	*0.1%*	*0.1%*
SG&A	(2,526)	(2,321)	SG&A	(2,526)	(2,321)
% of revenues	*(16.5)%*	*(16.0)%*	*% of revenues*	*(16.5)%*	*(16.0)%*
Adjusted Operating profit (loss)	519	(98)	Adjusted Operating profit (loss)	519	(98)
% of revenues	*3.4%*	*(0.7)%*	*% of revenues*	*3.4%*	*(0.7)%*
Networks	263	(267)	Networks & Platforms	484	27
S3G	227	232	Focused Businesses	171	76
Enterprise	25	(9)	Other & Eliminations	(136)	(201)
Other & Elimination	4	(54)			

Source: Company. Note: Total Maintenance includes Professional Services associated with Wireless, which are also being re-allocated.

6) Medium Term Outlook

Until 2015, the Company expects flattish top line growth but a significant improvement in Gross Margins as well as operating profits and EBITDA, which should results in positive cashflow generation.

Gross Margin

Table 11: Summary Medium Term Financial Outlook

€bn	LTM Q3 2012	2015E	Growth CAGR (%)	Growth Delta (€bn)
Revenue	14.5	15.2	1.5%	0.7
Gross Margin	4.5	5.5	6.4%	1.0
% revenue	*31%*	*35% - 37%*		
SG&A	(2.3)	(1.9)	(5.7)%	0.4
% revenue	*(16)%*	*(12)% - (14)%*		
R&D	(2.3)	(2.2)	(1.4)%	0.1
% revenue	*(16)%*	*(13.5)% - (15.5)%*		
Adjusted Operating Profit	(0.1)	1.3	n.m.	1.4
% revenue	*(0.7)%*	*6% - 9%*		
Adjusted EBITDA	0.7	2.1	40.2%	1.4
% revenue	*4.8%*	*13.5% - 14.5%*		

Source: Company

The key drivers of top line growth are expected to be the IP and Optics division (where Telcos are moving to an all-IP infrastructure), partly offset by modest declines in wireless (where next generation LTE products offset legacy technology CMDA) as well as services (where the Company is becoming much more selective in the contracts it takes on).

Table 12: Revenue Outlook – LTM Q3 2012 to 2015E

€bn	LTM Q3 2012	2015E	CAGR (%)
Total Revenue	14.5	15.2	1.5%
Networks	**8.9**	**10.0**	**4.2%**
IP	1.8	2.9	16.4%
Optics	2.2	2.5	3.7%
o/w Terrestrial	1.7	1.8	1.9%
o/w Submarine	0.5	0.7	9.2%
Wireless	3.4	3.2	(1.8)%
Wireline	1.4	1.4	(0.3)%
S3G	**4.4**	**3.9**	**(3.9)%**
Services (Professional and Managed)	4.0	3.3	(6.4)%
Networks Applications	0.4	0.6	9.5%
Enterprise	**0.8**	**0.8**	**2.1%**
Other & Eliminations	**0.4**	**0.4**	**n.s**

Source: Company

Gross Margins are expected to recover materially from current lows due to a more favorable product mix with a greater share of IP and Optics as well as the exit/restructuring of underperforming businesses, in particular managed services.

CREDIT SUISSE

Goldman Sachs

Table 13: Gross Margin Outlook – LTM Q3 2012 to 2015E

%	LTM Q3 2012	2015E
Gross margin	31.2%	35% - 37%
Networks	**32.3%**	**33.5% - 34.5%**
IP	49.0%	47.5% - 48.5%
Optics	19.7%	26.0% - 27.0%
o/w Terrestrial	17.0%	26.0% - 27.0%
o/w Submarine	28.6%	26.5% - 27.5%
Wireless	35.2%	32.0% - 33.0%
Wireline	22.5%	22.0% - 23.0%
S3G	**24.5%**	**31.0% - 32.0%**
Services (Professional and Managed)	22.1%	28.0% - 29.0%
Networks Applications	40.9%	48.0% - 49.0%
Enterprise	**46.0%**	**46.0% - 47.0%**
Other & Eliminations	**n/m**	**n/m - n/m**

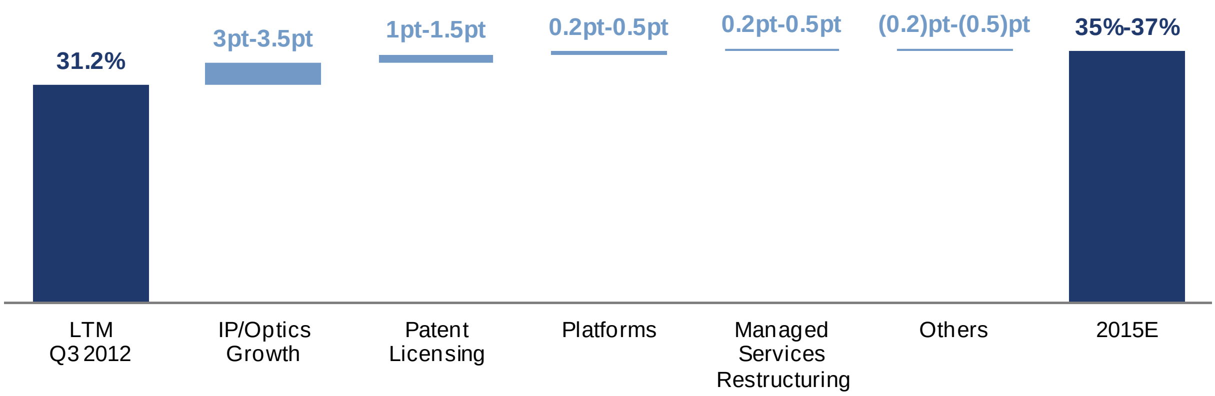
Source: Company Note: margin of each division based on revenues generated by the division.

Summarizing the above table, a bridge from LTM Q3 2012 to 2015E Gross Margins is provided below.

Gross Margins should reach 35-37% of revenues in FY2015 vs. 31.2%. in LTM Q3 2012. This expansion will be driven by the following dynamics in particular:

- The IP and Optics divisions are expected to contribute 3.0-3.5 points. C. 60% of this improvement is anticipated to come from top line growth in Internet Protocol and c. 40% from business mix improvement in Optics.
- The Patent licensing is expected to contribute 1.0 to 1.5 point.
- The Managed Services division restructuring – assuming the exit/restructuring of 15 unprofitable contracts – is anticipated to contribute 0.2 to 0. 5 point to the Group Gross Margin expansion over the period.

Figure 59: Gross Margin Bridge – LTM Q3 2012 to 2015



Source: Company

IX. Summary Financials

Table 14: Summary Income Statement (2009A-LTM Q3 2012A)

€m	2009A	2010A	2011A	Q3 2012 LTM	2009A	2010A	2011A	Q3 2012 LTM
Total Revenue	15,157	15,996	15,327	14,500				
YoY Growth (%)		*5.5%*	*(4.2)%*	*(5.4)%*	**% Y-o-Y Revenue Growth**			
Networks	**9,076**	**9,643**	**9,654**	**8,873**		**6%**	**0%**	
IP	1,177	1,465	1,585	1,847		24%	8%	
Optics	2,853	2,654	2,605	2,234		(7)%	(2)%	
o/w Terrestrial	1,986	1,988	1,899	1,709		0%	(4)%	
o/w Submarine	867	667	706	525		(23)%	6%	
Wireless	3,547	4,064	4,122	3,393		15%	1%	
Wireline	1,618	1,549	1,393	1,440		(4)%	(10)%	
Other & eliminations	(119)	(89)	(52)	(41)		(26)%	(42)%	
S3G	**4,344**	**4,537**	**4,461**	**4,492**		**4%**	**(2)%**	
Services (Professional and Managed)	3,781	4,006	3,963	4,047		6%	(1)%	
Networks Applications	567	531	498	447		(6)%	(6)%	
Other & eliminations	(4)	-	(1)	(1)		n.s.	n.s.	
Enterprise	**1,139**	**1,185**	**822**	**772**		**4%**	**(31)%**	
Excluding Genesys	809	824	822	772		2%	(0)%	
Genesys	316	338	-	-		7%	n.s.	
Other & eliminations	14	23	-	-		65%	n.s.	
Other & Eliminations	**598**	**631**	**391**	**363**		**6%**	**(38)%**	
Gross Profit	5,111	5,571	5,360	4,528				
% of revenues	*33.7%*	*34.8%*	*35.0%*	*31.2%*	**% of Entity Revenues**			
Networks	3,057	3,627	3,551	2,862	34%	38%	37%	32%
IP	625	809	827	905	53%	55%	52%	49%
Optics	818	702	544	441	29%	26%	21%	20%
o/w Terrestrial	561	492	329	291	28%	25%	17%	17%
o/w Submarine	258	210	215	150	30%	32%	30%	29%
Wireless	1,250	1,744	1,878	1,193	35%	43%	46%	35%
Wireline	377	373	304	323	23%	24%	22%	22%
Other & eliminations	(13)	(1)	(1)	(1)	n.s.	n.s.	n.s.	n.s.
S3G	1,139	1,052	1,146	1,080	26%	23%	26%	24%
Services (Professional and Managed)	873	812	897	896	23%	20%	23%	22%
Networks Applications	260	240	250	183	46%	45%	50%	41%
Other & eliminations	6	-	(1)	1	n.s.	n.s.	n.s.	n.s.
Enterprise	614	642	379	355	54%	54%	46%	46%
Excluding Genesys	358	373	379	355				
Genesys	256	269	-	-				
Other & Eliminations	301	250	284	231	n.s.	n.s.	n.s.	n.s.
R&D expenses	(2,372)	(2,503)	(2,315)	(2,305)				
% of revenues	*(15.7)%*	*(15.6)%*	*(15.1)%*	*(15.9)%*	**% of Entity Revenues**			
Networks	(1,728)	(1,817)	(1,740)	(1,754)	(19)%	(19)%	(18)%	(20)%
S3G	(192)	(203)	(212)	(204)	(4)%	(4)%	(5)%	(5)%
Enterprise	(172)	(159)	(95)	(120)	(15)%	(13)%	(12)%	(16)%
Other & Eliminations	(280)	(325)	(268)	(227)	n.s.	n.s.	n.s.	n.s.
SG&A	(2,795)	(2,781)	(2,526)	(2,321)				
% of revenues	*(18.4)%*	*(17.4)%*	*(16.5)%*	*(16.0)%*	**% of Entity Revenues**			
Networks	(1,626)	(1,623)	(1,548)	(1,376)	(18)%	(17)%	(16)%	(16)%
S3G	(786)	(820)	(707)	(644)	(18)%	(18)%	(16)%	(14)%
Enterprise	(406)	(399)	(259)	(244)	(36)%	(34)%	(31)%	(32)%
Other & Eliminations	23	61	(12)	(57)	n.s.	n.s.	n.s.	n.s.
Adjusted Operating Profit (Loss)	(56)	288	519	(98)				
% of revenues	*(0.4)%*	*1.8%*	*3.4%*	*(0.7)%*	**% of Entity Revenues**			
Networks	(297)	187	263	(267)	(3)%	2%	3%	(3)%
S3G	162	30	227	232	4%	1%	5%	5%
Enterprise	36	83	25	(9)	3%	7%	3%	(1)%
Other & Eliminations	44	(12)	4	(54)	n.s.	n.s.	n.s.	n.s.
Adjusted EBITDA	572	978	1,257	689				
% of revenues	*3.8%*	*6.1%*	*8.2%*	*4.8%*				

Source: Company. Note: 2009, 2010 financials including Genesys
Note: R&D expenses include net capitalization and capital gain.

Table 15: Summary Cash Flow Statements (2009A-LTM Q3 2012A)

€m	2009A	2010A	2011A	Q3 2012 LTM
Adjusted Operating Income	(56)	288	519	(98)
Non Cash Adjustments	628	690	738	787
o/w D&A and Share based payment	758	744	655	680
o/w OP Non Cash; Other	(130)	(54)	83	107
Change in Operating Working Capital	490	(63)	(200)	376
Change in Other Working Capital	(19)	(64)	(135)	(269)
Operating Cash Flow	1,043	851	922	796
Interest	(172)	(257)	(253)	(209)
Taxes	(89)	(117)	(55)	(47)
Cash Contribution to Pension & OPEB	(226)	(226)	(185)	(172)
Restructuring cash Outlays	(561)	(377)	(344)	(338)
Cash Flow from Operating Activities	(5)	(126)	85	30
Capital Expenditures (Incl. R&D Cap.)	(691)	(692)	(558)	(559)
% of Revenues	*(4.6)%*	*(4.3)%*	*(3.6)%*	*(3.9)%*
Free Cash Flow	(696)	(818)	(473)	(529)
Disposals, Discontinued, Cash from Financing & Forex	1,959	336	151	1,346
Debt Maturities & Early Repurchase	(1,244)	(327)	(993)	(234)
Cash Issuance New Notes	975	676	75	-
Other variation in Cash	(16)	252	33	365
Change in Cash & Marketable Securities	978	119	(1,207)	948
Cash and Net Debt Position				
BoP Gross Cash & Marketable Securities	4,593	5,570	5,689	3,757
Annual Change	978	119	(1,207)	948
EoP Gross Cash & Marketable Securities	5,570	5,689	4,482	4,705
BoP Gross Financial Debt	(5,095)	(4,755)	(5,378)	(4,498)
Debt Maturities & Early Repurchase	1,244	327	993	234
Debt Issued	(975)	(676)	(75)	-
Accounting Valuation Debentures / Convertibles	12	(42)	(71)	(281)
Other	59	(232)	(88)	(233)
EoP Gross Financial Debt	(4,755)	(5,378)	(4,619)	(4,778)
Gross Financial Debt	(4,755)	(5,378)	(4,619)	(4,778)
Gross Cash & Marketable Securities	5,570	5,689	4,482	4,705
Derivatives Interest Rate Instruments	43	42	36	33
Loan to Joint Venture	28	24	18	9
Derivatives FX instruments	-	(15)	52	(53)
Cash / (Net Financial Debt)	886	362	(31)	(84)

Source: Company
Note: in 2009, excluding mark-to-market of FX derivatives, related to interloan groups, including in 2010 in disposals, discontinued, cash from financing and forex (€17m)

Table 16: EBITDA Definition

€m	2009A	2010A	2011A	Q3 2012 LTM
Adjusted Operating Income	(56)	288	519	(98)
Add Back D&A excluding PPA Adjustments	700	707	627	655
o/w D&A incl. PPA	969	993	895	903
o/w elim PPA	(269)	(286)	(268)	(248)
Add Back Share Based Payments (SBP)	58	37	28	25
Adjusted Operating Income Pre D&A and SBP	702	1,032	1,174	582
Add Back Other Non-Cash Operating Profit Adjustments	(130)	(54)	83	107
o/w Employee Benefits Accrual in OP	49	63	63	69
o/w Product Sales Reserves	(172)	(43)	(58)	(53)
o/w Inventory Reserves	57	62	170	167
o/w General Risk Reserves	(76)	(61)	(61)	(17)
o/w Capital Gains in OP	(7)	(23)	(37)	(36)
o/w Valuation Allowance Bad Debt	9	1	11	(22)
o/w Other	10	(53)	(5)	(1)
Adjusted EBITDA	572	978	1,257	689

Source: Company
Note: 2009A and 2010A financials include Genesys. In 2009 and 2010," Other" included other financial result considered as cash.

Table 17: Balance Sheet (2009A-LTM Q3 2012A)

Assets in €m	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011	Sep 30, 2012
Non-Current Assets				
Goodwill	4,168	4,370	4,389	4,393
Intangible Assets, Net	2,214	2,056	1,774	1,558
Goodwill and Intangible Assets, Net	6,382	6,426	6,163	5,951
Property, Plant and Equipment, Net	1,260	1,311	1,263	1,210
Investment In Net Assets of Equity Affiliates	60	9	12	14
Other Non-Current Financial Assets, Net	392	400	521	362
Deferred Tax Assets	836	948	1,954	1,619
Prepaid Pension Costs	2,400	2,746	2,765	3,261
Other Non-Current Assets	314	257	296	413
Total Non-Current Assets	**11,644**	**12,097**	**12,974**	**12,830**
Current Assets				
Inventories And Work in Progress, Net	1,902	2,295	1,975	2,196
Trade Receivables and Other Receivables, Net	3,519	3,664	3,407	2,932
Advances and Progress Payments	93	75	66	61
Other Current Assets	960	885	977	718
Current Income Taxes	157	168	129	127
Marketable Securities, Net	1,993	649	939	1,747
Cash and Cash Equivalents	3,577	5,040	3,534	2,958
Current Assets Before Assets Held for Sale	*12,201*	*12,776*	*11,027*	*10,739*
Assets Held for Sale and Assets Included in Disposal Groups Held for Sale	51	3	202	2
Total Current Assets	**12,252**	**12,779**	**11,229**	**10,741**
Total Assets	**23,896**	**24,876**	**24,203**	**23,571**
Equity and Liabilities				
Equity				
Capital Stock	4,636	4,637	4,651	4,653
Additional Paid-in Capital	16,689	16,726	16,757	16,774
Less Treasury Stock at Cost	(1,567)	(1,566)	(1,567)	(1,567)
Accumulated Deficit, Fair Value and Other Reserves	(14,518)	(15,139)	(16,536)	(16,026)
Cumulative Translation Adjustments	(976)	(779)	(546)	(483)
Net Income (Loss) - Attributable to the Equity Owners of the Parent	(524)	(334)	1,095	(2)
Equity Attributable to Equity Owners of the Parent	*3,740*	*3,545*	*3,854*	*3,349*
Non-Controlling Interests	569	660	747	826
Total Equity	**4,309**	**4,205**	**4,601**	**4,175**
Non-Current Liabilities				
Pensions, Retirement Indemnities and Other Post-Retirement benefits				
Retirement Benefits	5,043	5,090	5,706	6,187
Convertible Bonds and Other Bonds, Long-Term	4,084	4,037	4,152	3,753
Other Long-Term Debt	95	75	138	211
Deferred Tax Liabilities	1,058	1,126	1,017	1,027
Other Non-Current Liabilities	209	259	211	174
Total Non-Current Liabilities	**10,489**	**10,587**	**11,224**	**11,352**
Current Liabilities				
Provisions	2,122	1,858	1,579	1,466
Current Portion of Long-Term Debt and Short-Term Debt	576	1,266	329	814
Customers' Deposits and Advances	639	803	590	758
Trade Payables And Other Payables	3,926	4,325	3,892	3,693
Current Income Tax Liabilities	72	137	131	122
Other Current Liabilities	1,763	1,695	1,729	1,191
Current Liabilities Before Liabilities Related to Disposal Groups Held for Sale	*9,098*	*10,084*	*8,250*	*8,044*
Liabilities Related to Disposal Groups Held for Sale	-	-	128	-
Total Current Liabilities	**9,098**	**10,084**	**8,378**	**8,044**
Total Equity and Liabilities	**23,896**	**24,876**	**24,203**	**23,571**

Source: Company Filings

Table 18: Current Proposed Guarantor Package (Contribution of Sales, EBITDA and Assets to consolidated metrics)

(€m)	9M 2012 Sales	LTM Sep EBITDA	Assets
US guarantors[1]	3,596	991	8,284
% of Total	*34.7%*	*169.7%*	*35.1%*
Non-US guarantors	833	(65)	4,164
% of Total	*8.0%*	*(11.1)%*	*17.7%*
Total guarantors (excl. ALU int'l)	**4,429**	**926**	**12,488**
% of Total	*42.8%*	*158.6%*	*53.0%*
Consolidated metrics	**10,350**	**584**	**23,571**

Source: Company

[1] *ALU USA Inc., standalone only data. The other US subsidiary guarantors do not have meaningful operations or generate meaningful sales.*

Note: the guarantor package described above excludes certain legal entities in the Netherlands and Germany. The parties agree to work in good faith to add these entities to the guarantor group as soon as possible subject to local law constraints and/or timing issues. The entities may not be part of the guarantor group at closing. Pro forma for the addition of the legal entities in Germany and the Netherlands, the guarantor coverage metrics would be 47% of consolidated sales, 176% of consolidated EBITDA and 54% of consolidated assets.

X. Glossary

A	
ADSL	Asymmetric digital subscriber line
ARPU	Average revenue per user (per month)
ATM	Asynchronous transfer mode
B	
BB	Broadband
C	
CAGR	Compound annual growth rate
Capex	Capital expenditure
CDMA	Code division multiple access
CDN	Content Delivery Network
COGS	Cost of goods sold
CRM	Customer relationship management
D	
DSL	Digital subscriber line
DWDM	Dense wavelength division multiplexing
E	
EBITDA	Earnings before interest, taxes, depreciation & amortization
F	
FDD	Frequency division duplexing
FM	Frequency modulation (analogue radio)
FWA	Fixed wireless access
G	
Gbps	Gigabit per second (a unit of data transfer rate)
GHz	Gigahertz (a unit of frequency)
GSM	Global system for mobile communication
H	
HSPA	High speed packet access (a collection of two mobile telephony protocols)
I-L	
ICT	Information and communications technology
IFRS	International financial reporting standards
IP	Internet protocol
IPTV	Internet protocol television
IP-VPN	Internet protocol virtual private networks
ISP	Internet service provider
Kbps	Kilobit per second (a unit of data transfer rate)
LAN	Local area network
LTE	Long-term evolution
M	
MB	Megabyte
Mbps	Megabit per second (a unit of data transfer rate)
MHz	Megahertz (a unit of frequency)
MNO	Mobile network operator
MPLS	Multi-protocol label switching
MVNO	Mobile virtual network operator
N	
N/A	Not applicable / Not available
NMC	Network management centre
NOC	Network operation centre
NGN	Next generation network
O	
OFDM	Orthogonal frequency-division multiplexing
QoS	Quality of service
Opex	Operational expenditure
OSS	Operational support systems
OTN	Optical Transport Network
P-R	
PBX	Private branch exchange
POTS	Plain old telephone service
RAN	Radio access network
S	
SDH	Synchronous digital hierarchy
U-V	
UMTS	Universal mobile telecommunications service
VAS	Value added services
VoD	Video on demand
VoIP	Voice over internet protocol
VPN	Virtual private network
W	
W	Watts
WDM	Wavelength division multiplexing
Wifi	Wireless fidelity
WiMAX	Worldwide interoperability for Microwave Access
X	
xDSL	Generic term for all DSL technologies