

AT
THE
SPEED
OF
IDEAS

INTRODUCTORY REMARKS

Ben Verwaayen - CEO

Q3 2011 EARNINGS

November 4, 2011

SAFE HARBOR FOR FORWARD LOOKING STATEMENTS

Except for historical information, all other information in this presentation consists of 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 such as, for example, an adjusted operating margin of around 4% for 2011 and continued market share gains. Words such as "expects," "look to," "anticipates," "targets," "projects," "intends," "guidance", "maintain", "plans," "believes," "estimates," "aim," "goal," "outlook," "momentum," "continue," "reach," "confident in," 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. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. These risks and uncertainties are based upon a number of important factors including, among others: our ability to operate effectively in a highly competitive industry with many participants and to correctly identify and invest in the technologies that become commercially accepted, demand for our products, and acceptance of the technologies we seek to pioneer; difficulties and delays in our ability to execute on our strategic plan to adjust our product portfolio by boosting investment in certain segments and reducing spending in others, co-source certain business processes, focus on cash, and reduce costs; fluctuations in the telecommunications market; exposure to the pricing pressures in the regions in which we sell; the pricing, cost and other risks inherent in long-term sales agreements; exposure to the credit risk of customers; 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 of our global operations; the costs and risks associated with pension and postretirement benefit obligations; changes to existing regulations or technical standards; existing and future litigation; difficulties and costs in protecting intellectual property rights and exposure to infringement claims by others; compliance with environmental, health and safety laws; the economic situation in general (including exchange rate fluctuations) and uncertainties in Alcatel-Lucent's customers' businesses in particular; control of costs and expenses; conditions and growth rates in the telecommunications industry; and the impact of each of these factors on sales and income. 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, 2010, as well as other filings by Alcatel-Lucent with the US Securities and Exchange Commission. Except as required under the US federal securities laws and the rules and regulations of the US Securities and Exchange Commission, Alcatel-Lucent disclaims any intention or obligation to update any forward-looking statements after the distribution of this presentation, whether as a result of new information, future events, developments, changes in assumptions or otherwise.

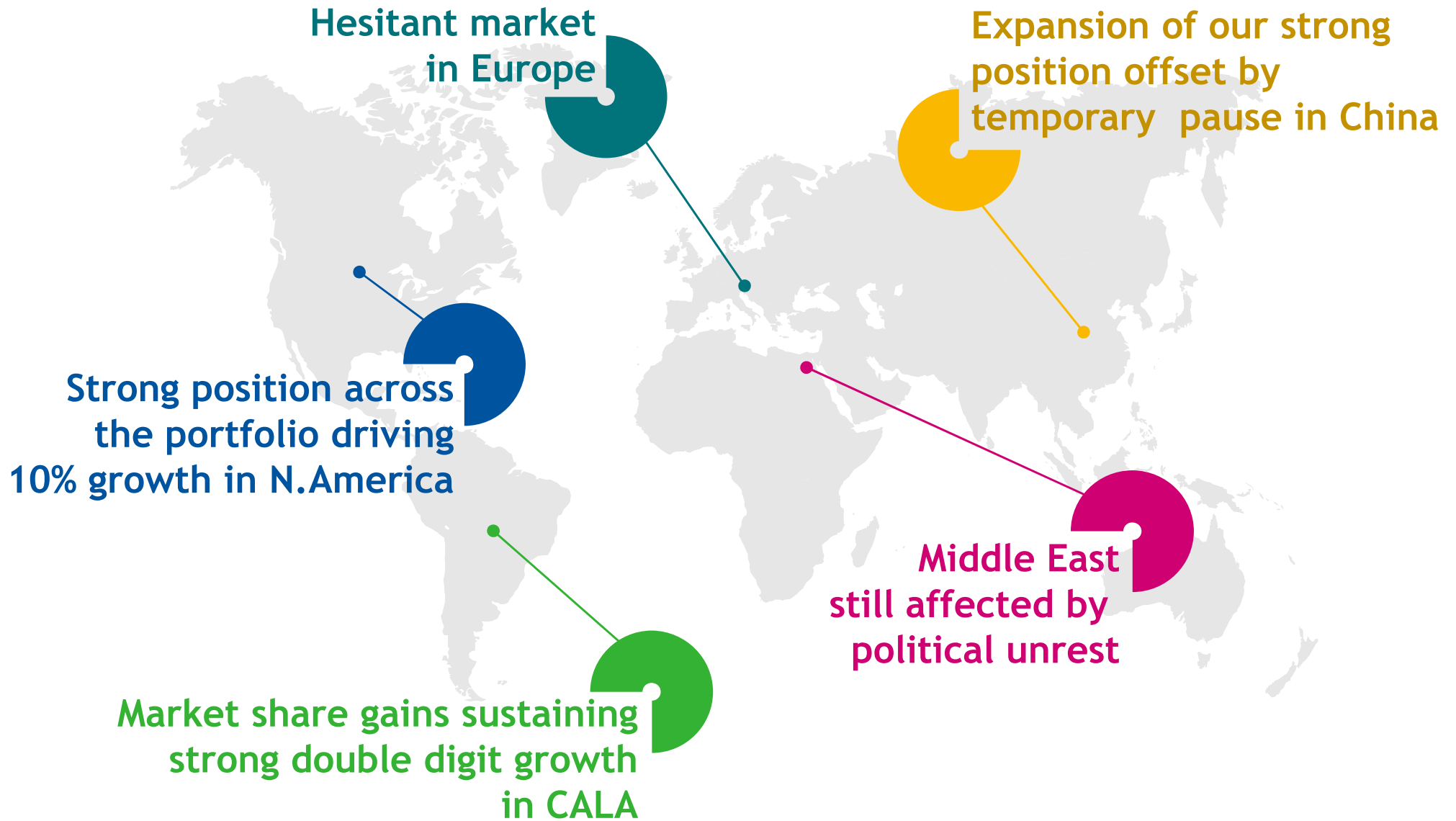
Q3 2011 HIGHLIGHTS

**Profitable progress
in Alcatel-Lucent's transformation**

**Additional actions
to further streamline cost structure**

**Full-year guidance update
to reflect market uncertainties**

Q3 2011 BY GEOGRAPHIES



Q3 2011 NETWORKS



Continuing growth in IP

Success across entire portfolio: Service Routers, Mobile Backhaul, Converged IP-Optics solutions

Wireless growth driven by North America

Increased backlog in Optics

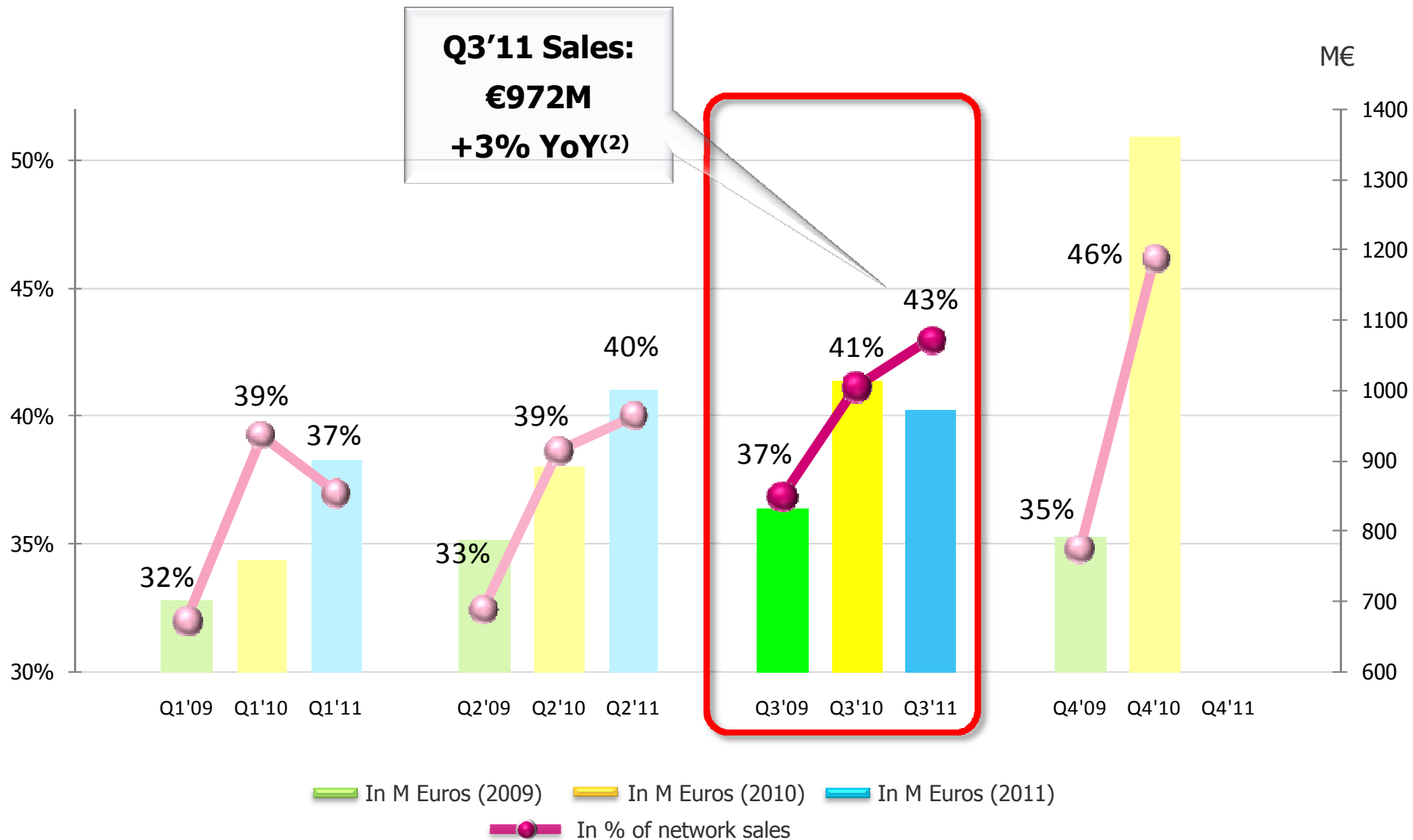
Strong double digit sales growth in WDM in Americas and in Wireless Transmission



Wireline spending on hold

Strong double digit growth in fiber based technology in China offset by decline in copper based technology around the globe

Q3 2011 HIGH LEVERAGE NETWORK™ (HLN)⁽¹⁾



(1) Products supporting our HLN strategy:
 IP, DWDM, WT-MPR, OMSN-TSS, WCDMA, LTE, Small Cells, IPDSLAM, xPON OLT/ONT, IMS Core

(2) At constant currency

AT THE SPEED OF IDEAS

HIGH LEVERAGE NETWORK™ (HLN)

SUMMARY OF KEY WINS – Q3'11




 Public Safety
 中国移动通信
 CHINA MOBILE
 Pre-commercial pilots


18 contracts
70+ trials to date

LTE


VimpelCom

28 contracts
20+ trials to date

Small Cells




 中国电信
 CHINA TELECOM
 MTS

5+ new/extension contracts

2G/3G



10+ new/extension contracts



IP/MPLS Service Routing





 CHARLOTTE

5+ new contracts
90+ references to date

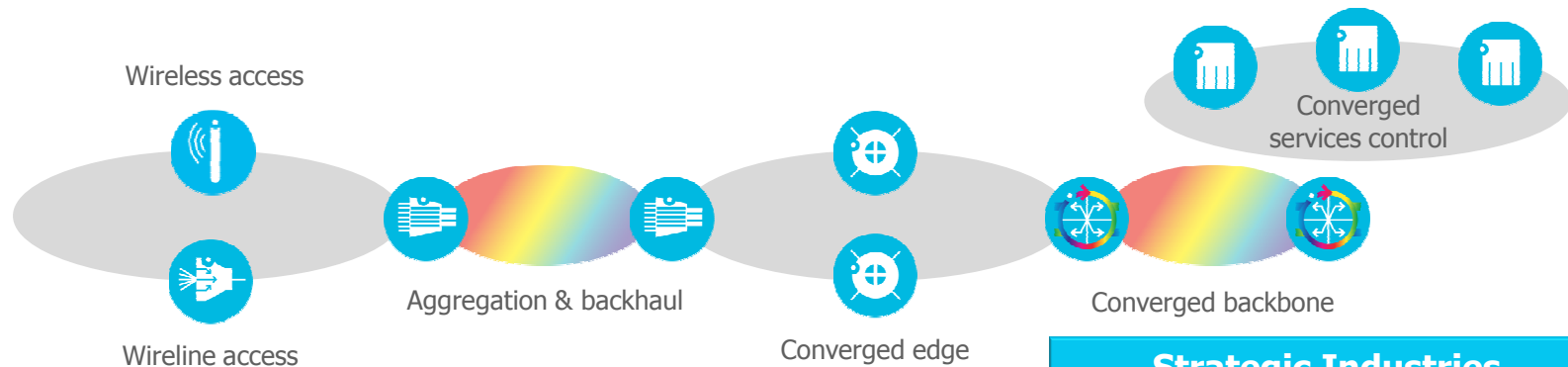
IMS

Co-creation partners



 etisalat
1st live video call demos
5+ major awards

lightRadio™



BB Access (xDSL/xPON)

20+ new/extension contracts




 Vectoring

Mobile Backhaul



20+ new/extension contracts




WIRELESS CITY PLANNING
 SoftBank



100G IP & WDM

55+ references to date

Strategic Industries

25+ new/extension contracts







Submarine Networking

5+ new/extension contracts





Q3 2011 SOFTWARE, SERVICES and SOLUTIONS

Modest growth in Services

Mixed trends across Networks App.

Good traction in Motive

offset by temporary delivery delays in Payment solutions

**Financial discipline in Services
driving improvement in profitability**

Q3 2011 ENTERPRISE

Double digit growth in Enterprise

Strong momentum in Data driven by our renewed portfolio

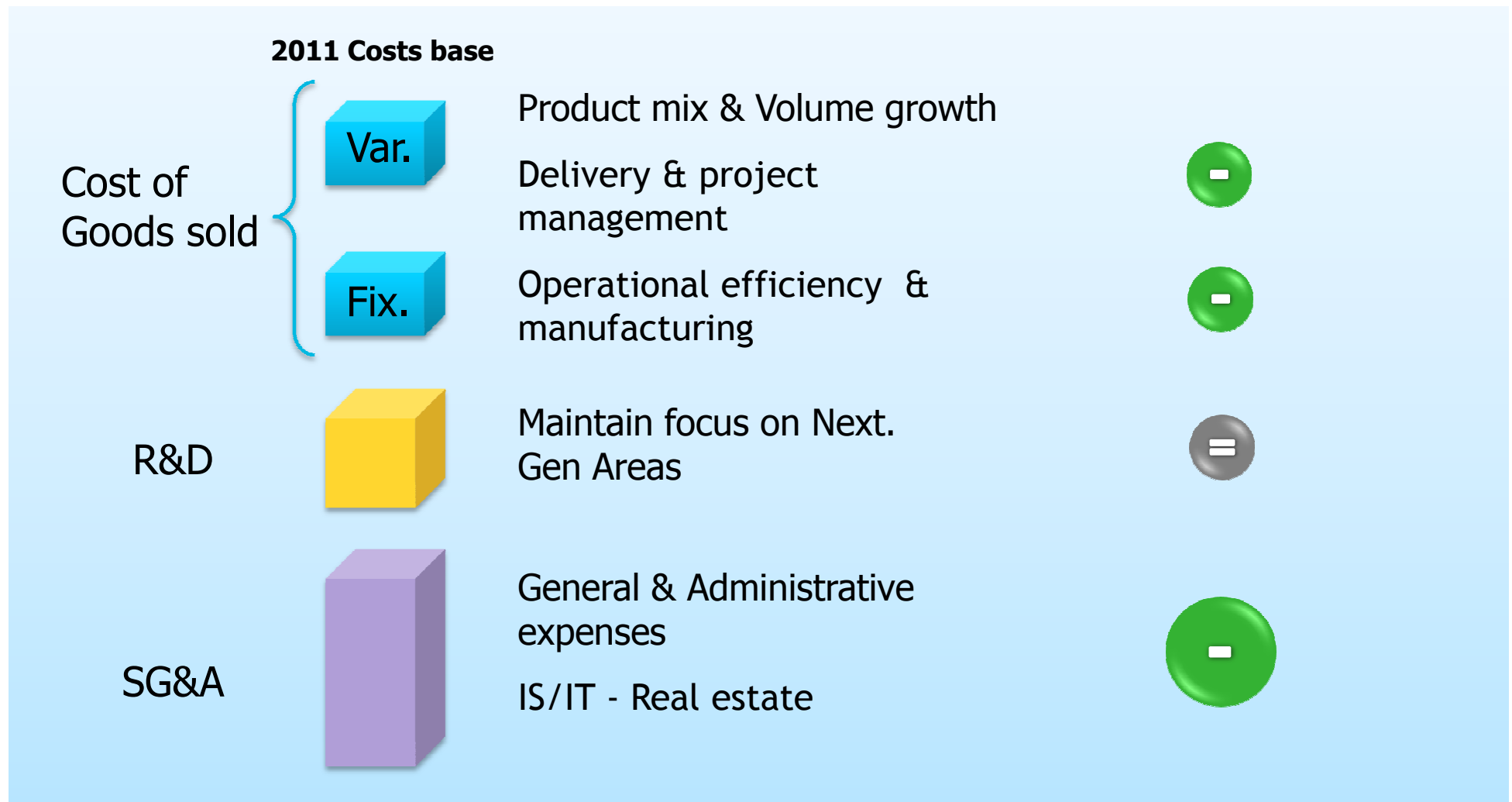
Binding offer received for our Genesys business

Q3 2011 OPERATIONAL HIGHLIGHTS

**Around € 300M annual fixed costs savings
at exit run rate end of 2011**

**Negative Free Cash Flow
mainly driven by working capital**

ACCELERATION OF OUR TRANSFORMATION



**€ 200M of additional fixed costs savings
and € 300M in variable costs in 2012**

2011 OUTLOOK

Market uncertainties

For 2011 Alcatel-Lucent aims for
**an adjusted operating margin
of around 4% of 2011 sales**

Q3 2011 RESULTS

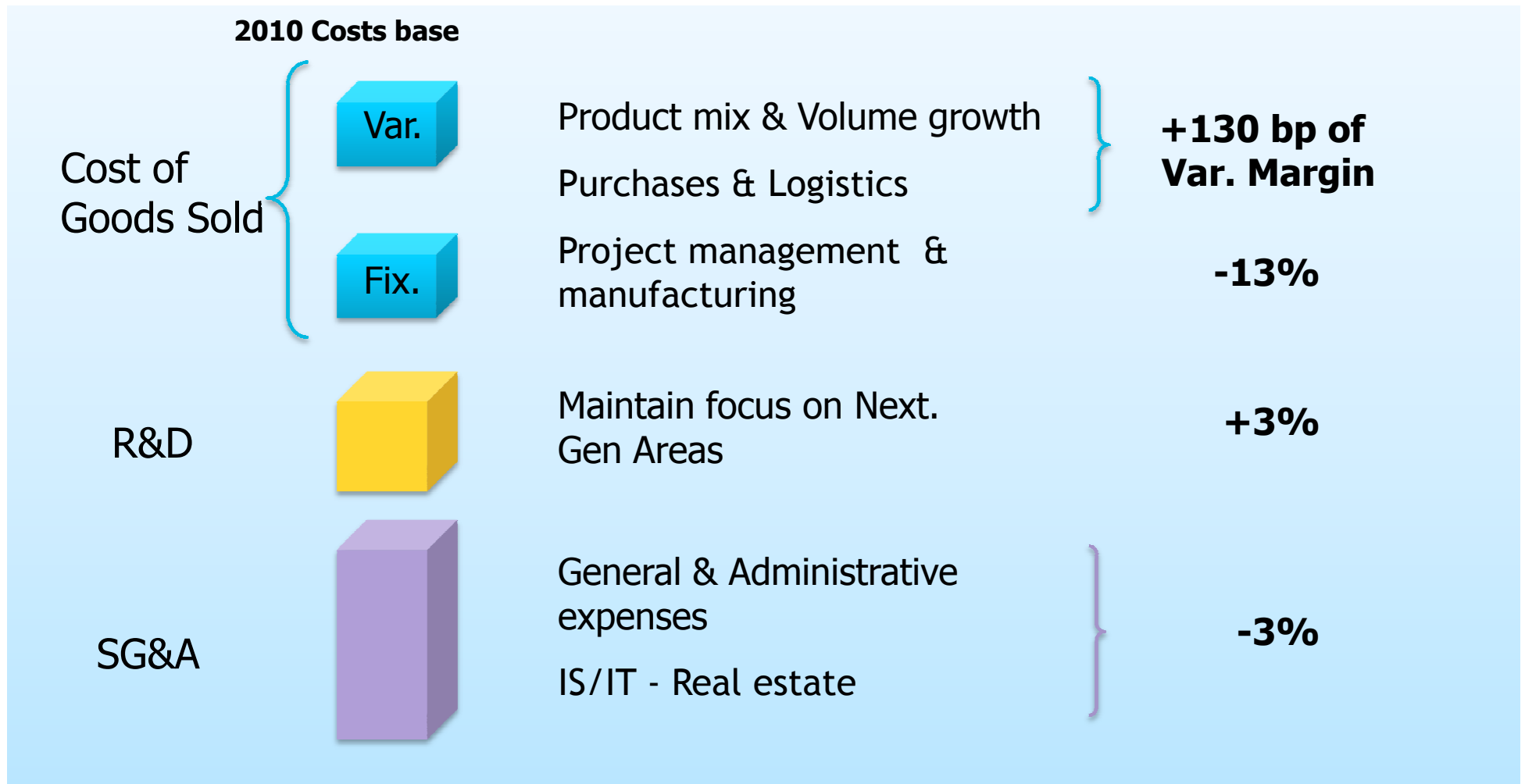
Paul Tufano - CFO



Q3 2011 ADJUSTED P&L

In Euro Million	Q3 '11	Q3 '10	YoY	Q2 '11	QoQ
Revenues	3,797	4,074	-6.8%	3,903	-2.7%
Gross profit	1,380	1,377	0.2%	1,398	-1.3%
Gross margin	36.3%	33.8%	2.5 pt	35.8%	0.5 pt
R&D Gross	(574)	(633)	-9.3%	(597)	-3.9%
<i>in % of revenues</i>	15.1%	15.5%	-0.4 pt	15.3%	-0.2 pt
Capitalization / Other	8	4	Nm	(12)	Nm
R&D Net	(566)	(629)	-10.0%	(609)	-7.1%
<i>in % of revenues</i>	14.9%	15.4%	-0.5 pt	15.6%	-0.7 pt
SG&A	(641)	(687)	-6.7%	(681)	-5.9%
<i>in % of revenues</i>	16.9%	16.9%	0.0 pt	17.4%	-0.5 pt
Total OPEX	(1,207)	(1,316)	-8.3%	(1,290)	-6.4%
<i>in % of revenues</i>	31.8%	32.3%	-0.5 pt	33.1%	-1.3 pt
Op. income (loss)	173	61	ca 3x	108	60.2%
Operating margin	4.6 %	1.5 %	3.1 pt	2.8 %	1.8 pt

COST-CUTTING ACTIONS ARE PAYING OFF



Around € 300M annual fixed costs savings run rate at end of Q4'11

Q3 2011 REVENUE BREAKDOWN BY OPERATING SEGMENTS

In Euro Million <u>Revenues</u>	Q3 '11	Q3 '10	YoY Current	YoY Constant *	Q2 '11	QoQ Current	QoQ Constant *
Networks	2,285	2,459	-7.1%	-2.6%	2,475	-7.7%	-8.8%
<i>IP</i>	376	366	2.7%	7.9%	406	-7.4%	-8.6%
<i>Optics</i>	582	651	-10.6%	-9.6%	645	-9.8%	-10.2%
<i>Wireless</i>	1,032	1,068	-3.4%	2.8%	1,079	-4.4%	-6.0%
<i>Wireline</i>	308	396	-22.2%	-19.1%	357	-13.7%	-14.6%
<i>Other & eliminations</i>	(13)	(22)	Nm	Nm	(12)	Nm	Nm
Software, Services & Solutions	1,100	1,154	-4.7%	-1.6%	1,071	2.7%	1.5%
<i>Services</i>	996	1,018	-2.2%	0.8%	940	6.0%	4.8%
<i>Network Applications</i>	104	136	-23.5%	-20.4%	131	-20.6%	-22.0%
Enterprise	319	293	8.9%	12.6%	286	11.5%	10.9%
<i>Other & Eliminations</i>	93	168	Nm	Nm	71	Nm	Nm
Total	3,797	4,074	-6.8%	-0.7%	3,903	-2.7%	-3.8%

* YoY & QoQ change, at constant FX rate & perimeter

Q3 2011 OPERATING INCOME BREAKDOWN BY OPERATING SEGMENTS

In Euro Million

	Q3 '11	Q3 '10	YoY	Q2 '11	QoQ
<u>Adj. operating income (loss)</u>					
Networks	70	31	39	48	22
<i>in % of revenues</i>	<i>3.1%</i>	<i>1.3%</i>	<i>1.8 pt</i>	<i>1.9%</i>	<i>1.2 pt</i>
Software, Services & Solutions	55	25	30	52	3
<i>in % of revenues</i>	<i>5.0%</i>	<i>2.2%</i>	<i>2.8 pt</i>	<i>4.9%</i>	<i>0.1 pt</i>
Enterprise	29	18	11	20	9
<i>in % of revenues</i>	<i>9.1%</i>	<i>6.1%</i>	<i>3.0 pt</i>	<i>7.0%</i>	<i>2.1 pt</i>
Other & Eliminations	19	(13)	32	(12)	31
Total	173	61	112	108	65
<i>in % of revenues</i>	<i>4.6%</i>	<i>1.5%</i>	<i>3.1 pt</i>	<i>2.8%</i>	<i>1.8 pt</i>



Q3 2011 REVENUES GEOGRAPHICAL BREAKDOWN

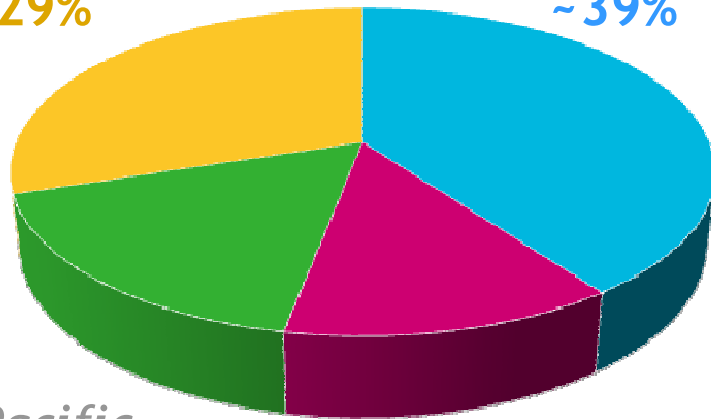
• Q3'11 Total Revenue: €3,797M

Europe
~29%

North America
~39%

Asia Pacific
~18%

RoW
~14%



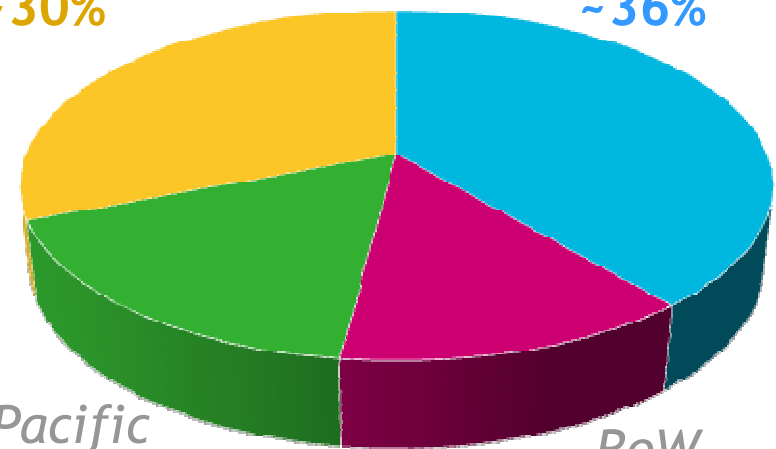
• Q3'10 Total Revenue: €4,074M

Europe
~30%

North America
~36%

Asia Pacific
~21%

RoW
~13%



Q3'11 -YoY Revenue Δ (in local currencies)

North America	10%
Europe	-10%
Asia Pacific	-13%
RoW	9%

Q3'10 - YoY Revenue Δ (in local currencies)

North America	11%
Europe	0%
Asia Pacific	7%
RoW	-7%

BALANCE SHEET HIGHLIGHTS

In Euro Million	Sept 30, 2011	June 30, 2011	Sept 30, 2010
Goodwill	4,342	4,183	4,311
Other intangible assets	1,817	1,788	2,096
Other non-current assets (excl. market. sec & pensions)	3,157	2,885	2,762
Operating working capital	1,265	915	890
Net assets/(liabilities) held for sale	12	4	148
Net cash / (debt)*	(620)	(376)	(249)
Shareholders' equity - Group share	2,765	3,420	2,377
Minority interests	705	630	631
Net Pensions & OPEB	3,016	1,938	3,211
Non current liabilities (excl.debt & pensions)	1,223	1,242	1,373
Reserves	1,615	1,590	1,969
Other current liabilities/(assets) net**	649	579	397

* Including the Mark-to-Market of FX derivatives on intergroup loans (increase net cash position by €67M in Q3'11/ reduce net cash position by €22M in Q2'11/ reduce net cash position by €59M in Q3'10)

** Excluding the Mark-to-Market of FX derivatives on intergroup loans



OPERATING WORKING CAPITAL

<u>In Euro Million</u>	Sept 30, 2011	June 30, 2011	Sept 30, 2010
Net inventories	2,251	2,252	2,567
Net receivables	3,435	3,337	3,323
Payables & progress payments	(4,421)	(4,674)	(5,000)
OWC as reported	1,265	915	890
As % of revenues (12 months)	7.8%	5.5%	5.9%
Trailing 4 quarter revenues	16,302	16,579	15,101
OWC before sales of receivables	1,915	1,578	1,524
As % of revenues (12 months)	11.7%	9.5%	10.1%



CASH FLOW STATEMENT

	Q3 '11	Q2 '11	Q3 '10
Net (debt)/cash at beginning of period	(376)	106	101
<i>Adjusted operating income</i>	<i>173</i>	<i>108</i>	<i>61</i>
<i>Depreciation & Amort; OP non cash; other ⁽³⁾</i>	<i>199</i>	<i>156</i>	<i>177</i>
Op. Cash Flow before change in WCR ⁽¹⁾	372	264	238
<i>Change in operating WCR</i>	<i>(288)</i>	<i>(263)</i>	<i>(82)</i>
<i>Change in other WCR ⁽³⁾</i>	<i>(119)</i>	<i>(19)</i>	<i>37</i>
Operating Cash Flow ⁽²⁾	(35)	(18)	193
<i>Interest</i>	<i>(105)</i>	<i>(36)</i>	<i>(92)</i>
<i>Taxes</i>	<i>(11)</i>	<i>(34)</i>	<i>(61)</i>
<i>Cash contribution to pension & OPEB</i>	<i>(45)</i>	<i>(50)</i>	<i>(56)</i>
<i>Restructuring cash outlays</i>	<i>(99)</i>	<i>(80)</i>	<i>(73)</i>
Cash flow from operating activities	(295)	(218)	(89)
<i>Capital expenditures (incl. R&D cap.)</i>	<i>(141)</i>	<i>(132)</i>	<i>(184)</i>
Free Cash Flow	(436)	(350)	(273)
<i>Discontinued, Cash from financing & Forex</i>	<i>192</i>	<i>(132)</i>	<i>(77)</i>
Change in net(debt)/cash position	(244)	(482)	(350)
Net (debt)/cash at end of period	(620)	(376)	(249)

(1) Before changes in working capital, interest/tax paid, restructuring cash outlay and pension & OPEB cash outlay

(2) Operating cash flow now defined as cash generated from operations after changes in working capital but before interest/tax paid, restructuring cash outlay and pension & OPEB outlay

(3) Changes compare to past figures coming of netting FX impact



FUNDED STATUS OF ALCATEL-LUCENT PENSIONS & OPEB (IFRS)

<u>In Euro Million</u>	Sept 30, 2011		June 30, 2011		Sept 30, 2010	
	Pensions	OPEB	Pensions	OPEB	Pensions	OPEB
Fair value of plan assets <i>(In USD Million)</i>	27,588 <i>37,252</i>	325 <i>439</i>	25,490 <i>36,842</i>	380 <i>549</i>	27,017 <i>36,873</i>	394 <i>538</i>
Benefit obligations <i>(In USD Million)</i>	(25,844) <i>(34,897)</i>	(3,282) <i>(4,432)</i>	(22,878) <i>(33,066)</i>	(2,943) <i>(4,254)</i>	(25,505) <i>(34,809)</i>	(3,315) <i>(4,524)</i>
	1,744	(2,957)	2,612	(2,563)	1,512	(2,921)
Funded Status <i>(In USD Million)</i>	(1,213) <i>(1,638)</i>		49 <i>71</i>		(1,409) <i>(1,923)</i>	
Asset ceiling	(1,803)	-	(1,987)	-	(1,802)	-
Net balance sheet	(3,016)		(1,938)		(3,211)	



2011 OUTLOOK

Market uncertainties

For 2011 Alcatel-Lucent aims for
**an adjusted operating margin
of around 4% of 2011 sales**

QUESTIONS & ANSWERS

ADDITIONAL INFORMATION

Q3 2011 REPORTED AND ADJUSTED RESULTS

	Q3 '11 Reported	PPA impacts	Q3'11 Adjusted
<u>In Euro Million</u>			
Revenues	3,797	0	3,797
Gross profit	1,380	0	1,380
SG&A	(670)	29	(641)
Net R&D	(603)	37	(566)
Operating income (loss)	107	66	173
Restructuring	(57)	0	(57)
Post-retirement benefit plan amendment	(1)	0	(1)
Litigations	0	0	0
Gain/loss on disposals	(4)	0	(4)
Financial income (loss)	(3)	0	(3)
Share in net income of equity affiliates	0	0	0
Income Tax	177	(25)	152
Income from discontinued operations	0	0	0
Net Income	219	41	260
Minority Interest	(25)	0	(25)
Net Income (Group share)	194	41	235
Diluted EPS, in €	0.08		0.09
# shares (Million)	2,873.7		2,873.7

RESTATEMENT OF 2010 BREAKDOWN BY OPERATING SEGMENTS

In Euro Million

<u>Revenues</u>	Q1 '11	Q2 '11	Q3 '11	Q1 '10	Q2 '10	Q3 '10	Q4 '10	FY '10
Networks	2,418	2,475	2,285	1,928	2,304	2,459	2,952	9,643
<i>IP</i>	349	406	376	272	318	366	508	1,464
<i>Optics</i>	654	645	582	567	622	651	815	2,655
<i>Wireless</i>	1,118	1,079	1,032	819	1,021	1,068	1,156	4,064
<i>Wireline</i>	309	357	308	298	366	396	488	1,548
<i>Other & eliminations</i>	(12)	(12)	(13)	(28)	(23)	(22)	(15)	(88)
Software, Services & Solutions	975	1,071	1,100	921	1,071	1,154	1,391	4,537
<i>Services</i>	869	940	996	825	952	1,018	1,211	4,006
<i>Network Applications</i>	106	131	104	96	119	136	180	531
Enterprise Applications	285	286	319	267	301	293	324	1,185
Other & Eliminations	62	71	93	131	137	168	195	631
Total	3,740	3,903	3,797	3,247	3,813	4,074	4,862	15,996

<u>Adj. operating income (loss)</u>	Q1 '11	Q2 '11	Q3 '11	Q1 '10	Q2 '10	Q3 '10	Q4 '10	FY '10
Networks	63	48	70	(128)	55	31	229	187
<i>in % of revenues</i>	2.6%	1.9%	3.1%	-6.6%	2.4%	1.3%	7.8%	1.9%
Software, Services & Solutions	(50)	52	55	(76)	(17)	25	98	30
<i>in % of revenues</i>	-5.1%	4.9%	5.0%	-8.3%	-1.6%	2.2%	7.0%	0.7%
Enterprise Applications	14	20	29	9	19	18	37	83
<i>in % of revenues</i>	4.9%	7.0%	9.1%	3.4%	6.3%	6.1%	11.4%	7.0%
Other & Eliminations	(14)	(12)	19	0	(29)	(13)	30	(12)
Total	13	108	173	(195)	28	61	394	288
<i>in % of revenues</i>	0.3%	2.8%	4.6%	-6.0%	0.7%	1.5%	8.1%	1.8%

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