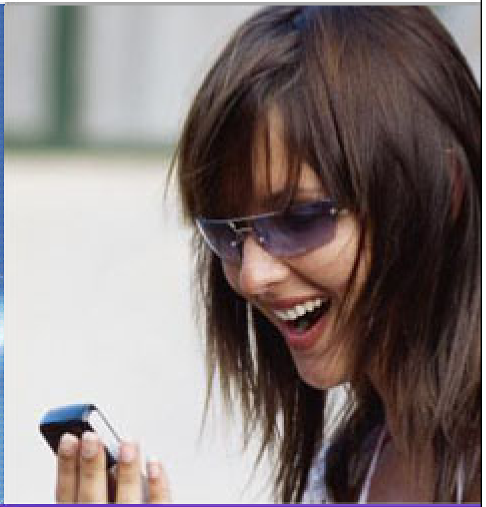
# Press/Industry Analyst Briefing

CTIA 2007



Cindy Christy

President, North America Business

March 27, 2007

# Agenda

- Today’s News
- Alcatel-Lucent in North America
- The North American Market
- Alcatel-Lucent as Transformation Partner

# Verizon Wireless: expected $6 billion contract

Virtually the entire portfolio of Alcatel-Lucent products and services:

- CDMA2000® 1xEV-DO Revision A (Rev. A) technology
- CDMA2000 1X network upgrade including:
  - existing Alcatel-Lucent Packet Switches to support IP soft handoff and Transcoder Free Operation
  - existing Alcatel-Lucent 7750 Service Router also will provide Ethernet aggregation and IP routing.
- Optical and wireless transmission product families including the LambdaUnite, DMX, 1678, 1671
- Alcatel-Lucent 9500 Microwave Cross Connect (MXC) and MDR 8000 Microwave Digital Radios
- Alcatel-Lucent services is providing comprehensive end-to-end network support, ranging from network integration to installation and maintenance
- ALU services will also provide support for non-ALU equipment-based networks.

# Alcatel-Lucent Portfolio Strategy and Rationalization

## Wireless

Reinforced CDMA leadership

Converged W-CDMA platform

Renewed GSM offer

Launched WiMAX solution

## Wireline

Reinforced broadband access leadership

Optimized leading optical portfolio

Increase IP routing strength through extended reach

## Convergence

Enhanced leading IMS offer

Converged application platform

Refocused application portfolio

## Services

Deployment, managed services, integration
& maintenance business lines launched

Service team merged to create one of the largest worldwide workforce

# Alcatel-Lucent's Position in Today's $30B North American Market

| Focus Area | Position |
|---|---|
| **Mobile Infrastructure** | #1 in 3G, 33% share of wireless access in North America |
| **Broadband Infrastructure** | #1 in DSL in North America |
| **IP Edge Routing/Optical Infrastructure** | #1 in Optical, #2 in IP/MPLS Edge Routing and Carrier Ethernet and fastest growing |
| **IPTV applications, integration** | Market leader with key wins in AT&T, Bell Canada, Sasktel, many others |
| **IMS applications, integration** | More IMS deployments than any other provider |
| **Services** | 23% share; key wins at AT&T, TXU/Cap Gemini, Sprint, Verizon Wireless, etc. |
| **Enterprise** | Market leading position in contact center software; innovative collaboration, VoIP offers |

Network Transformation drives spending

Market growth strong in broadband wireline/mobile access and applications

Professional services, consulting, integration becoming more important

Large service providers organizing, acting like converged providers



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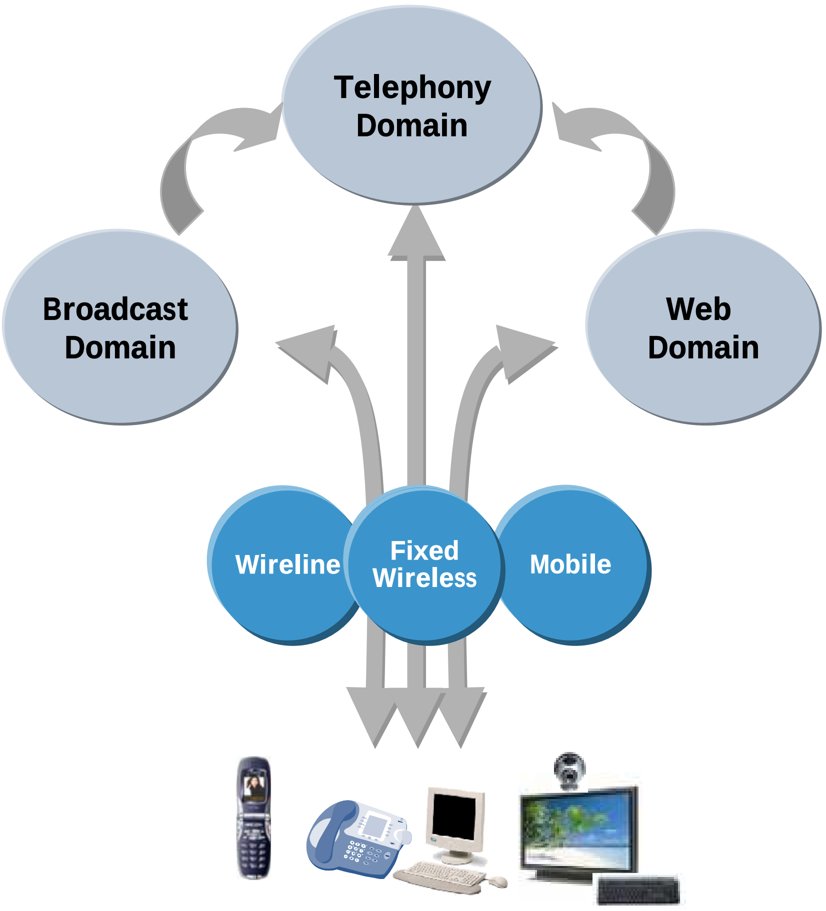
# The market changes - Industries collide in battle for subscribers

- Commoditization of services drives **new business models**
- Service bundling is no longer enough for **differentiation**
- Value shifts from connectivity to **personalized services**
- **Quality of experience** is critical for differentiation
- **Time to revenue** is key for success of new services




**Innovation and Transformation are priorities for Service Providers**



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# Transformation driven by video service in multi-media bundle

## Opportunity

- Broadband IP connections, wired and wireless, are pervasive
- More than 50% of all download traffic is P2P
- More than 75% of all upload traffic is P2P
- More than 60% of traffic is video content


## Risk

- Commoditized networks, SP cut out of transaction and ad revenues
  - Loss of control over customer
  - Loss of control over costs
- Frustrated subscribers don't spend due to complexity of service, device, provider

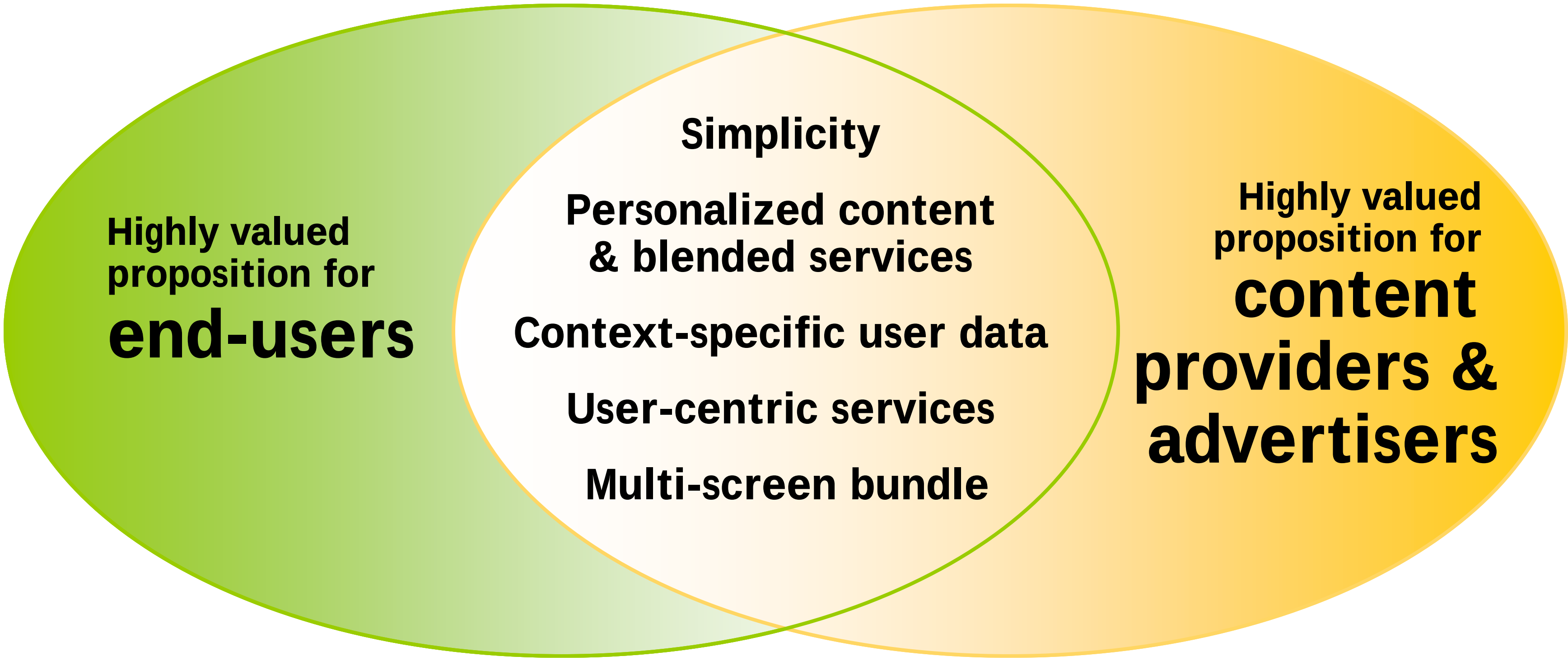
## Need

- Service mix, network architecture, and business model transformation

* Mix of file formats by volume of traffic generated over 4 main P2P networks: BitTorrent, eDonkey, FastTrack, and Gnutella. Weighted by volume of traffic on each network.

** Source: Technorati

## What success will look like for Alcatel-Lucent Customers




**Service Providers can win with differentiated value to end users and advertisers with subscriber aware service bundles delivered on service aware networks**

# Mobile TV Advertising in its infancy, but will become increasingly important revenue

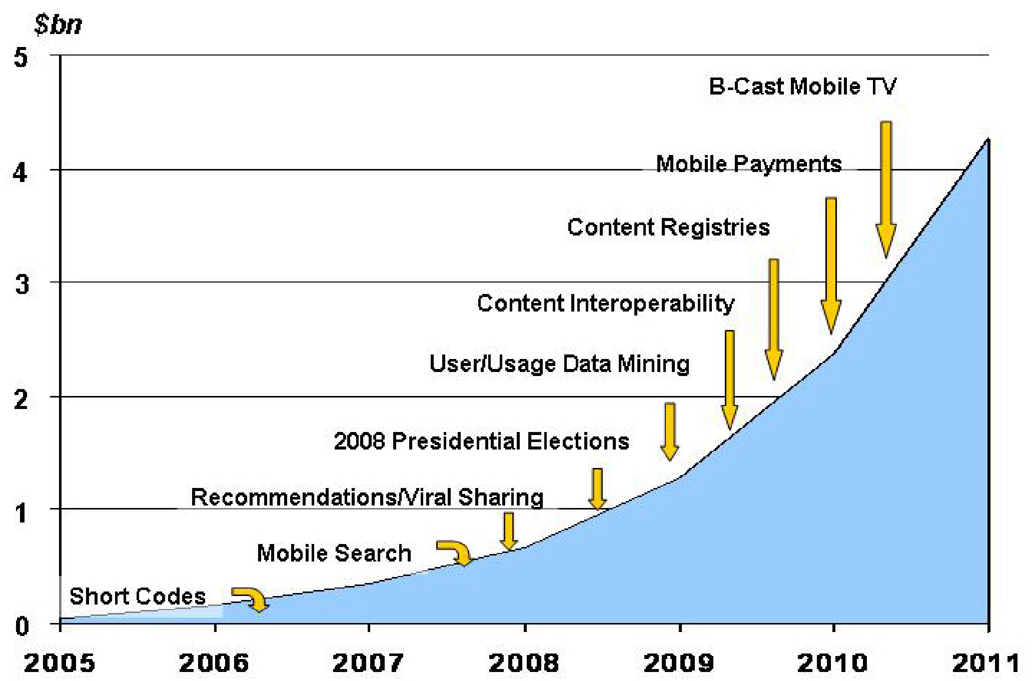
**Positive experience to date**

- Click-through rates up to 8%
- Conversion rates up to 5x higher than web
- Ad matching with mobile content is acceptable segmentation

**Key mobile advertising successes**

- Short Codes & SMS (eg, GQ, TV)
- Banner Ads (eg, USA Today & WeatherChannel)
- Sponsorships (eg, P&G & LimeLife)
- Brand & Product Placements (eg, Games)
- Click to Call (eg, Ingenio, Travel and Finance)
- Idle Screen (eg, Amobee)
- Coupons (eg, Cellfire)

**U.S. Mobile Advertising Forecast**
IDC, 2007




**Three times more subscribers will watch ads for free content compared to those willing to pay for content to avoid ads – Yankee 2005**





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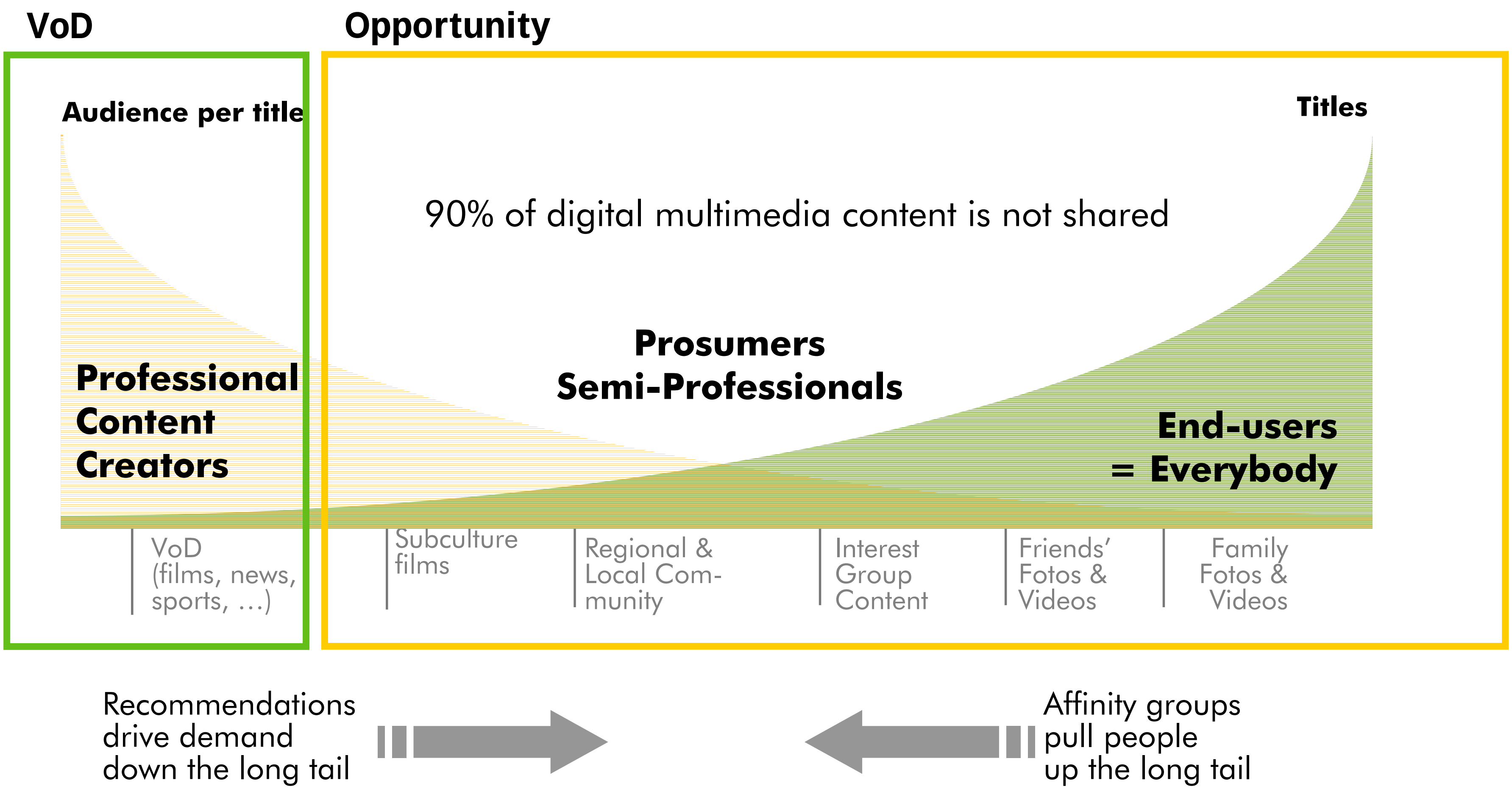
# Next horizon of opportunity: Targeting the long tail of multimedia content





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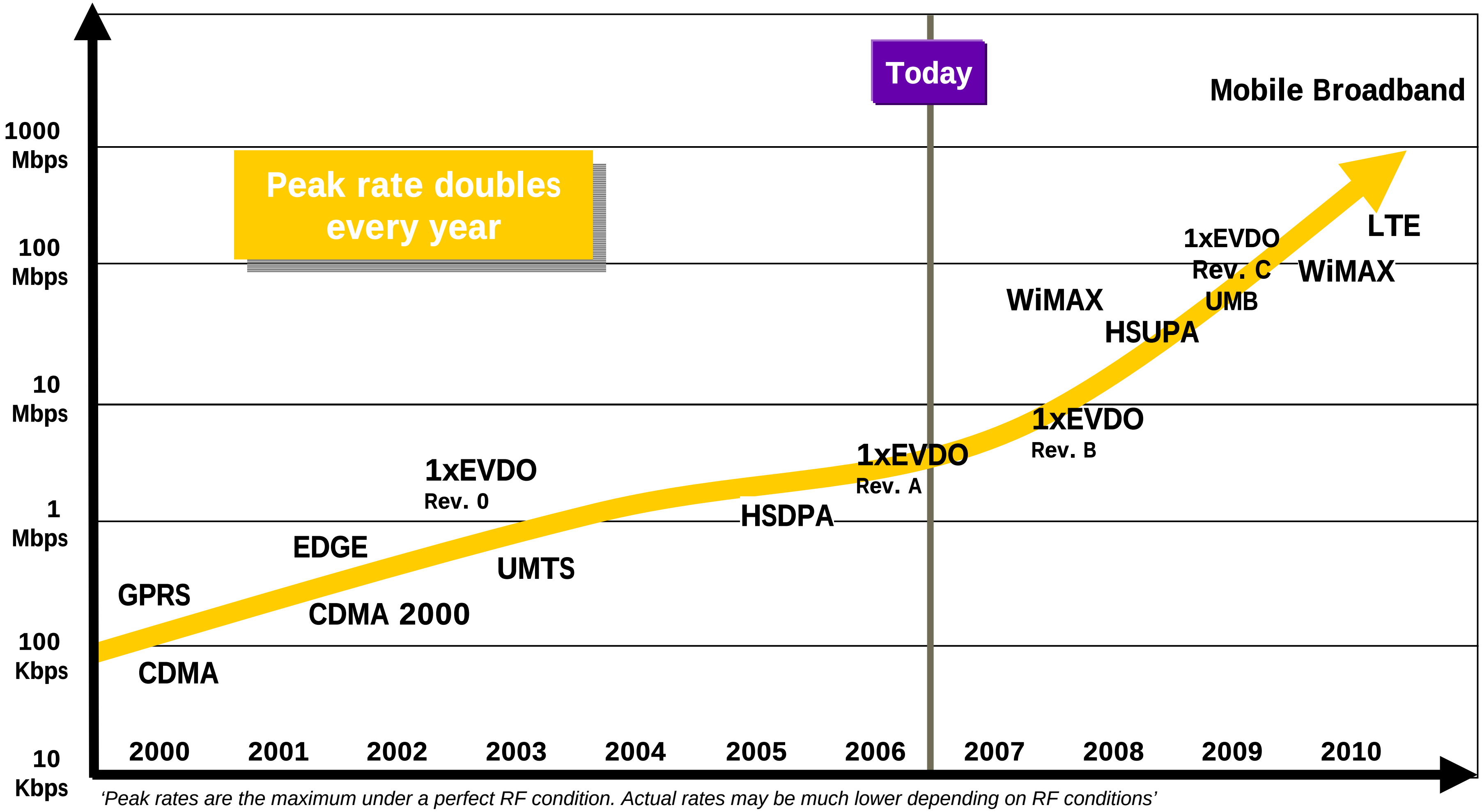
# Alcatel-Lucent Focus on Broadband Wireless




*'Peak rates are the maximum under a perfect RF condition. Actual rates may be much lower depending on RF conditions'*



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## Wireless Business Group
## The Most Comprehensive Portfolio in the Industry

**CDMA**
Undisputed #1 leader
Driving 3G evolution towards EV-DO, VoIP

**W-CDMA**
Strong recognition in
Tier-1 operators
Western Europe, NA, South-Korea

**GSM**
Strong GSM/EDGE position
173 customers
93 countries

**WIMAX**
Leadership
in 802.16-2005
(16e)

**Wireless Transmission**
Leadership in long-haul
#1 Leadership in ANSI market

## Convergence Business Group
## Five Strategic Market Evolution Areas, Enabled by Five Technologies

**IMS Services**
15 Deployments

**Communication**

**IPTV & MultiPlay**
#1 in Triple Play
115+ Deployments

**Entertainment**

**Payment**
#1 in Real Time Payment
220+ Customers

**Charging**

**IP/NGN**
Unmatched Field Experience
245 IP/NGN Deployments

**Network Evolution**

**Subs Data Management**
1/5 of the world's mobile subscribers
170+ Customers

**User Management**

 **Software** +  **Hardware** +  **Integration Services**





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# Alcatel-Lucent, the engine of service providers' transformation

| Services Transformation | Network Transformation | Business Transformation |
|---|---|---|

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| **Service Innovation** | **Smart Network** | **Service Delivery Simplification** |
|---|---|---|
| Multi-access | User-aware | Common platforms |
| Multi-device | Service-aware | Software upgrade |
| Multimedia | Secure | Scalability |

Innovation, Control, Simplification

# Alcatel-Lucent, the undisputed transformation partner

## Services Transformation

### IMS Services
- 20+ full IMS deployments
- 50+ IMS services customers

### TV, Video & Music Services
- 115+ networks
- 40+ IPTV/Triple Play projects

### Subscriber Data Management
- 160+ networks
- 750M+ subscribers capacity
- 70+ next gen. deployments

### Payment
- 220+ F&M networks
- 350M+ subscribers
- 40+ convergent projects

## Network Transformation

### Wireless Access
- 250+ networks
- 70+ 3G transformation projects
- 500M+ subs capacity deployed

### Global IP Transformation
- 80+ networks

### IP Service Routing
- 160+ networks

### IP/NGN Networking
- 245+ F&M networks
- 55M+ mobile subscribers
- 20+ transformation projects

### IP Broadband Access
- 125+ transformation projects
- 120M+ DSL lines

## Business Transformation

### Field Proven Services Expertise
- 500+ customers
- 40+ IP transformation projects
- Consult, design, integrate, deploy, maintain and operate

### IP Transformation Centers
- 320+ Tier 1 customer visits

### OSS/BSS
- 120+ integration projects

### Network Operations Outsourcing
- 50+ networks
- 10 Network Operations Centers

### Multi-vendor Maintenance
- 11,000+ agreements

### Managed Application Services
- 100+ customers





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# Growth Opportunities

- Leverage North America leadership of Next-Gen Networks and expand to IP Transformation
- Leverage North America IMS leadership to deploy Service Delivery Environment Solutions
- Innovative Business Transformation Solutions for Carriers / Cable MSOs
- Extend North America leadership position in Personalized and Blended Services
- Expand Delivery of Broadband Solutions
- Deeper Penetration of North America Enterprise with Targeted Vertical Solutions

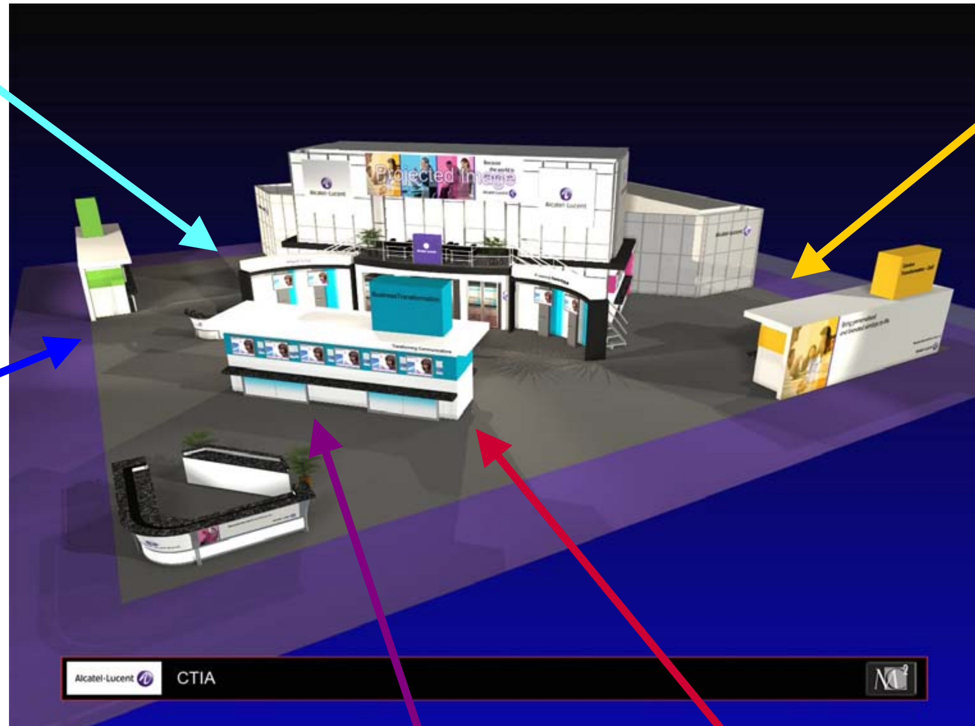
# Alcatel-Lucent Demos at CTIA

## User Centric  Experience

•Subscriber Data Management
•Blended Lifestyle Services w/IMS
•Mobile Interactive Targeted Advertising
•Mobile Content Services
•IPTV & Mobile TV Convergence

## Network Transformation

•Mobile Network Infrastructure
•UMTS Merged Portfolio
•3G Long Term Solution
•Wireless Backhaul




## Broadband for all

•Public Safety Solutions
•Rural e-Education via Wireless BB
•Service continuity w/universal BB
•Dual Mode Service

## Business Transformation

•Managed Services
•Mobile advertising in IMS environ.

## Transforming Communications

•Mobile Virtual 3D
•Mobile Network Security
•Cross-Media Advertising
•Advanced Metamaterials

Q&A

www.alcatel-lucent.com