

Revenues down 8% year over year at constant Euro/USD exchange rate at Euro 3,882 million, while wireline and enterprise businesses grew

Adjusted diluted EPS (Group share) at Euro 0.09

Strong momentum in order flow across all businesses

Integration plans on track; company confirms at least Euro 600 million pre-tax cost savings target for 2007

Alcatel-Lucent's Board of Directors (Euronext Paris and NYSE: ALU) reviewed and approved reported results for the first quarter 2007.

EXECUTIVE COMMENTARY

Patricia Russo, CEO commented: "Having completed the largest merger in our industry, we are encouraged by the progress we are making with our overall integration plans. Since December 1, 2006, we have finalized the product and technology roadmaps for the combined company and are communicating these decisions to our customers, helping reduce any uncertainty regarding product plans. Additionally, during the first quarter we took costs out of the business in areas such as procurement, information systems and R&D, and have achieved a net headcount reduction of approximately 1,900 positions, before the impact of recently announced managed services contract wins. Based on this progress, we are on track to achieve our planned pre-tax savings of at least Euro 600 million this year, in line with our target of Euro 1.7 billion pre-tax savings within 3 years. We will strategically reinvest part of these savings in markets and technologies which we believe will enhance our position going forward.

As previously indicated, during the first quarter we saw good momentum building in our order flow resulting in an improving order backlog with a book-to-bill at 1.3x. However, as anticipated, our first quarter 2007 revenues declined as a result of lower volumes in wireless and core networks at a time when we continued to make considerable investments in the next generation of these technologies. In addition, these results are being compared to a strong first quarter 2006, particularly in our wireline business in

North America . While operating income was affected by low volumes, and geographic and revenue mix, over half of our first quarter adjusted operating loss was primarily due to significant items related to continued product rationalization and platform convergence, negatively impacting the gross margin.

Based on the strong order flow we are seeing across all businesses, we anticipate solid sequential growth as the year progresses, with our second quarter 2007 revenue expected to grow approximately 10% from the first quarter 2007 at a constant Euro/USD exchange rate. Looking forward to the full year 2007, we expect revenues to increase on a percentage basis at the carrier market growth rate of mid single digits at a constant Euro/USD exchange rate. "

REPORTED RESULTS

In accordance with regulatory reporting requirements, the first quarter 2007 reported results include the non-cash impacts from purchase price allocation entries following the merger with Lucent Technologies. The Space business which had not been divested to Thales as of March 31, 2007 is shown as discontinued activities. The other activities (railway signaling and integration and services activities for mission-critical systems) that were contributed to Thales on January 5, 2007 are not included in first quarter 2007 reported results.

For the first quarter 2007, Alcatel-Lucent's reported revenues amounted to Euro 3,882 million. The reported gross profit was Euro 1,127 million, including the impacts from purchase price allocation entries of Euro (208) million. Reported operating income (loss)(1) was Euro (582) million, including the impact from purchase price allocation entries of Euro (338) million. For the quarter, reported net income (group share) was Euro (8) million or Euro 0.00 per diluted share (USD (0.01) per ADS).

ADJUSTED RESULTS

In addition to the reported results Alcatel-Lucent is providing adjusted financial results in order to provide meaningful comparable information, which exclude the main non-cash impacts from purchase price allocation entries. The Space business which had not been divested to Thales as of March 31, 2007 is shown as discontinued activities. The other activities (railway signaling and integration and services activities for mission-critical systems) that were contributed to Thales on January 5, 2007 are not included in first quarter 2007 reported results. Prior period results refer to the adjusted pro forma combined operations for Alcatel-Lucent as of January 1, 2006.

For the first quarter, Alcatel-Lucent's revenues were Euro 3,882 million, compared to a pro-forma Euro 4,433 million in the year-ago quarter, a (7.9)% decline at a constant Euro/USD exchange rate, or a (12.4)% decline at current rate. The adjusted gross profit was Euro 1,335 million, compared to an adjusted pro-forma gross profit of Euro 1,757 million in the year-ago quarter. Adjusted operating income (loss)(2) was Euro (244) million, compared with an adjusted pro-forma operating income (loss) of Euro 246 million in the year-ago quarter. Over half of our first quarter adjusted operating loss was primarily attributed to significant items related to continued product and rationalization and platform convergence, negatively impacting the gross margin. For the quarter, adjusted net income (group share) was Euro 199 million, or Euro 0.09 per diluted share (USD 0.12 per ADS), which included the capital gain after tax from the closing of the Thales transaction of Euro 0.30 per diluted share (Euro 677 million) and a negative impact of Euro (0.14) per diluted share (Euro (320) million) for restructuring costs. The adjusted pro-forma net income (group share) was Euro 306 million, or Euro 0.13 per diluted share (USD 0.17 per ADS), in the first quarter 2006.

The net (debt)/cash position was Euro (48) million at March 31, 2007 compared with Euro 508 million at December 31, 2006.

Adjusted Profit & Loss statement –Key Figures

In Euro million except for EPS

First Quarter

2007

First Quarter

2006

Pro-forma

Revenues

3,882

4,433

Gross profit

1,335

1,757

Operating income (loss)

(244)

246

Net income (group share)*

199

306

EPS diluted (in Euro)*

0.09

0.13

E/ADS** diluted (in USD)

0.12

0.17

Number of diluted shares (million)

2,270

2,390

* EPS is adjusted from main PPA entries taking into account a normative tax impact

**E/ADS has been calculated using the US Federal Reserve Bank of

New York noon Euro/dollar buying rate of USD1.3374 as of March 30, 2007.

FIRST QUARTER 2007 BUSINESS HIGHLIGHTS

The following figures are based on adjusted results.

Segment breakdown

(in Euro million)

First Quarter

2007

First Quarter

2006

yoy comparison at constant rate

Pro-forma

Revenues

3,882

4,433

(8)%

Carriers

2,839

3,340

(10)%

- Wireline

1,287

1,342

1%

- Wireless

1,204

1,495

(15)%

- Convergence