
This document is provided for informational purposes only as a reference to assist with your cost basis calculations. For specific questions about your taxes, transaction reporting or calculation assistance, please contact your tax advisor or accountant.

Frequently Asked Questions for Alcatel-Lucent Shareholder Accounts

Q. I'm a former Lucent Technologies shareholder. What happened to my stock as a result of the merger with Alcatel?

A. Lucent Technologies merged with Alcatel to form Alcatel-Lucent on November 30, 2006. Former Lucent shareowners received 0.1952 of an Alcatel-Lucent American Depositary Share, or ADS, for each share of Lucent common stock that they owned. Each Alcatel-Lucent ADS represents one Alcatel-Lucent ordinary share. However, no fraction of an Alcatel-Lucent ADS was issued in the merger. Instead, each holder of shares of Lucent common stock who would otherwise be entitled in the merger to receive a fraction of an Alcatel-Lucent ADS received a cash payment in lieu of such fraction. For example, a holder of 100 shares of Lucent common stock would ordinarily be entitled to receive 19.52 Alcatel-Lucent ADSs (which is equal to the product of 100 multiplied by the exchange ratio of 0.1952). However, because no fraction of an Alcatel-Lucent ADS was issued, such holder instead received 19 Alcatel-Lucent ADSs and a cash payment in lieu of the remaining 0.52 of an Alcatel-Lucent ADS.

Q. I have a Lucent Technologies certificate how do I exchange it for Alcatel-Lucent stock?

A. You'll need to turn in your certificates to our transfer agent, J.P. Morgan, to sell or exchange them for Alcatel-Lucent stock. Please contact them for assistance with the proper procedure.

JPMorgan Chase Bank N.A.
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100

Phone: 1-888-582-3686 or 651-453-2128
Email: jpmorgan.adr@wellsfargo.com
Website: www.adr.com/shareholder

Q. How many shares do I own?

A. Please contact our transfer agent, J.P. Morgan, and someone will be able to assist you.

Alcatel-Lucent
C/O J.P. Morgan Chase Bank, N.A.
P.O. Box 64504
St. Paul, MN 55164-0504

Phone: 1-888-582-3686 or 651-453-2128
Email: jpmorgan.adr@wellsfargo.com
Website: www.adr.com/shareholder

Q. How can I purchase Alcatel-Lucent stock?

A. The Global Invest Direct (GID) program for Alcatel-Lucent ADSs allows participants to make optional cash purchases of Alcatel-Lucent ADSs directly through the Program and to reinvest their dividends, if Alcatel-Lucent pays a dividend. More information on the Program may be found in the Program brochure, which you may download from www.adr.com. You may also obtain a copy of the plan brochure by calling 1-888-582-3686.

Q. I have restricted stock. How do I get the restrictions removed?

A. Alcatel-Lucent's legal counsel is Proskauer Rose LLP. Please contact Lauren Boglivi at 212-969-3082 or lboglivi@proskauer.com to have the restrictions removed.

Q. How do I calculate my cost basis for Alcatel-Lucent stock?

A. Please use the attached tax basis worksheet titled
TAX BASIS: Alcatel-Lucent American Depositary Shares (ADSs) and/or Cash-in-Lieu Received in the Exchange for Lucent Common Stock...

Depository Service Fee (DSF)

Q. Why was I charged a depository services fee and what is this purpose of the fee?

A. American Depositary Receipts (ADRs) allow an investor to invest in a foreign company, like Paris-based Alcatel-Lucent, without incurring the costs that are normally associated with buying and holding securities that are denominated in a foreign currency and traded outside the U.S. Alcatel-Lucent ADRs are priced in dollars, and investors can easily monitor their price as they are traded on the New York Stock Exchange. However, without ADRs, anyone wishing to invest in Alcatel-Lucent would have to convert dollars into Euros in order to purchase the company's "ordinary shares" that are priced in Euros and traded on the Paris stock exchange. The DSF is being assessed for those services that are provided by the Depository (J.P. Morgan Chase).

This fee is authorized under the terms of the Alcatel-Lucent Deposit Agreement. Alcatel-Lucent intends to use fees it receives to offset, in part, the costs related to SEC registration, including Sarbanes-Oxley related expenses, administering the ADS facility and maintaining its NYSE listing fees.

Q. How often will I be charged this fee?

A. You may be charged up to \$0.02 per ADR each calendar year.

Q. Can I get a refund of this fee?

A. No, the fee is non-refundable.

Alcatel-Lucent General Questions

Q. When was Alcatel-Lucent formed?

A. Alcatel and Lucent Technologies merged to form Alcatel-Lucent on November 30, 2006.

Q. What is Alcatel-Lucent's stock symbol?

A. Alcatel-Lucent trades on the New York Stock Exchange under the symbol ALU.

Q. Has Alcatel-Lucent ever paid a dividend?

A. Yes. Alcatel-Lucent shareholders approved a dividend payment of €0.16 per share at the Annual General Meeting on June 1, 2007. The dividend was paid to the holders of American Depositary Shares ("ADSs") on June 29, 2007 to holders of record as of June 4, 2007.

Q. Can you mail me an annual report?

A. Annual reports are mailed directly by Alcatel-Lucent. Please send your request to mailfinance@Alcatel-Lucent.com or call 908-582-6173.

Q. What was the price of Alcatel-Lucent stock at the time of the merger?

A. Alcatel-Lucent's first day of trading was November 30, 2006. The stock closed at \$13.36 per share.

Q. Has Alcatel-Lucent ever had a stock split or reverse split?

A. No

Lucent Technologies spin-offs and stock splits

Q. When did Lucent Technologies spin off from AT&T and what was the stock price on that date?

A. Lucent spun off from AT&T on September 30, 1996. The stock closed at \$45.875 per share.

Q. When was Avaya spun off from Lucent and what was the share distribution?

A. Avaya spun off from Lucent on October 2, 2000. Avaya closed its first day of trading at \$21.095/share. Lucent closed at \$30.0345/share. The Avaya share distribution ratio was 1:12. The Avaya tax allocation was 5.476% and Lucent's tax allocation was 94.524%.

Q. When was Agere spun off from Lucent and what was the share distribution?

A. Agere spun off from Lucent on June 3, 2002. The stocks closed the trading day at:

- Agere Class A common stock: \$3.130 per share
- Agere Class B common stock: \$3.135 per share; and
- Lucent common stock: \$3.865 per share.

The Agere share distribution ratio was one share of Agere Class A common stock for every 92.768991 shares of Lucent common stock and one share of Agere Class B common stock for every 3.779818 shares of Lucent common stock. The tax allocation percentages were calculated as follows:

- Agere Class A: 0.7136%
- Agere Class B: 17.5419%
- Lucent: 81.7445%

Note: Agere merged with LSI on April 2, 2007. Each share of Agere common stock was converted into the right to receive 2.16 shares of LSI common stock. Any fractional shares otherwise issuable to stockholders of record were paid in cash at the rate of \$10.44 per full share. The last day Agere common stock traded on the New York Stock Exchange was March 30 at a price of \$22.62 per share.

Q. Did Lucent Technologies have any stock splits?

A. Lucent Technologies had two 2 for 1 stock splits. The first split was on April 1, 1998 at a price of \$132 1/8. The second stock split was one year later on April 1, 1999 at a price of \$111 3/4. Below is a listing of the record and payable dates of each stock split.

| <u>Split</u> | <u>Record Date</u> | <u>Split Date</u> | <u>Rate*</u> |
|--------------|--------------------|-------------------|--------------|
| First | March 6, 1998 | April 1, 1998 | 2-for-1 |
| Second | March 5, 1999 | April 1, 1999 | 2-for-1 |

* 2-for-1 = One additional share

Q. How do I calculate my tax basis for Agere and Avaya?

A. Please use the attached tax basis worksheet Titled...

*TAX INFORMATION FOR SHAREOWNERS OF LUCENT TECHNOLOGIES INC.
Lucent Technologies Inc. distributed its shares of Avaya Inc. common stock...*

&

*TAX INFORMATION FOR SHAREOWNERS OF LUCENT TECHNOLOGIES INC.
Lucent Technologies Inc. ("Lucent") distributed its shares of common stock of
Agere Systems Inc. ("Agere")...*

TAX BASIS: Alcatel-Lucent American Depositary Shares (ADSs) and/or Cash-in-Lieu Received in the Exchange for Lucent Common Stock

HOW TO CALCULATE YOUR TAX BASIS

- For Alcatel-Lucent American Depositary Shares (ADSs) you received in exchange for your Lucent common stock.
- For cash you received in lieu of a fractional Alcatel-Lucent ADS

Former Lucent shareowners who sell their Alcatel-Lucent ADSs can use the following worksheet to calculate the tax basis of their Alcatel-Lucent ADSs. In addition, you can use the worksheet to calculate the taxable gain or loss for cash you received in lieu of a fractional Alcatel-Lucent ADS. However, the worksheet does not purport to be complete and may not apply in your particular circumstances. For example, if you acquired shares of Lucent at different times or at different prices, the worksheet may not apply to you.

HYPOTHETICAL EXAMPLE

In this example, 100 shares of Lucent were purchased at \$3 per share, resulting in a tax basis of \$300. Because the merger exchange ratio was 0.1952 of an Alcatel-Lucent ADS for each Lucent share owned, the holder receives 19 whole ADSs of Alcatel-Lucent, as well as a check for an amount based on the value of 0.52 of an ADS. The original \$300 tax basis must now be allocated to the Alcatel-Lucent ADSs.

ALCATEL-LUCENT TAX BASIS CALCULATION

| | | | | |
|--|------------------|-----------|--|------|
| Enter number of Lucent shares owned | | 100 | | (1) |
| Enter tax basis per share of Lucent owned | | \$ 3.00 | | (2) |
| Enter total tax basis of Lucent shares owned | (1) * (2) | \$ 300.00 | | (3) |
| | | | | |
| Enter total number of Alcatel-Lucent ADSs received | (1) * 0.1952 | 19.52 | | (4) |
| Enter total tax basis of Alcatel-Lucent ADSs | from (3) above | \$ 300.00 | | (5) |
| Divide total tax basis by number of Alcatel-Lucent ADSs received | (5) / (4) | \$ 15.37 | | (6) |
| | | | | |
| New tax basis per Alcatel-Lucent ADS | from (6) above | \$ 15.37 | | (7) |
| | | | | |
| Enter fractional share received | (4) - whole ADSs | 0.52 | | (8) |
| Multiply fractional share by new per ADS tax basis price | (8) * (7) | \$ 7.99 | | (9) |
| | | | | |
| Enter amount of fractional ADS check received | | \$ 6.91 | | (10) |
| Enter tax basis for fractional ADS sold | from (9) above | \$ 7.99 | | (11) |
| Subtract fractional ADS tax basis from fractional ADS check amount | (10) - (11) | \$ (1.08) | | (12) |
| | | | | |
| (Loss) or gain from fractional ADS sale | (12) | \$ (1.08) | | (13) |

Note that (7) above is the tax basis of any Alcatel-Lucent ADSs you received in exchange for Lucent common stock, to be used in determining any gain or loss recognized in the subsequent sale of your Alcatel-Lucent ADSs.

CONSULT YOUR TAX ADVISOR

This worksheet was not intended or written to be used, and cannot be used, for the purpose of avoiding tax penalties. You should seek advice based on your own particular circumstances from an independent tax advisor.

The information in this document represents our understanding of federal income tax laws and regulations, and does not constitute tax advice. It does not purport to be complete or to describe the consequences that may apply to you or particular categories of shareowners. It is being provided as a courtesy to our shareholders. Tax matters are very complicated, and the calculations described above may not be correct in your particular circumstances. You should consult your own tax advisor regarding the particular consequences of the merger or any disposition of Alcatel-Lucent ADSs, including the applicability and effect of any state, local and foreign tax laws.

Lucent shareowners are urged to read the discussion set forth in the proxy statement related to the merger under the heading “The Merger – Material U.S. Federal Income Tax Consequences” and to consult their own tax advisors for a full understanding of the tax consequences of their participation in the merger. A copy of the proxy statement was mailed to shareowners prior to the September 7, 2006 Lucent shareholder meeting and is also available on the internet at <http://www.sec.gov>.

TAX INFORMATION FOR SHAREOWNERS OF LUCENT TECHNOLOGIES INC.

Lucent Technologies Inc. ("Lucent") distributed its shares of common stock of Agere Systems Inc. ("Agere") to owners of Lucent common stock on June 1, 2002. Lucent and Agere are now two fully independent, publicly owned companies. This document contains the following information related to the distribution:

- An explanation of the U.S. Federal income tax consequences of the distribution for Lucent common shareowners.
- A worksheet that will help you complete important tax calculations.

BACKGROUND INFORMATION

Lucent common shareowners of record as of May 3, 2002 received a distribution of full shares of Agere Class A common stock and Agere Class B common stock based on a distribution ratio of one share of Agere Class A common stock for every 92.768991 shares of Lucent common stock and one share of Agere Class B common stock for every 3.779818 shares of Lucent common stock. Those full shares of Agere Class A common stock and Agere Class B common stock should have been received on or about June 1, 2002. As previously announced, shareowners entitled to a fractional share of Agere Class A common stock or Agere Class B common stock will receive a cash payment instead of a fractional share. The fractional shares of Agere Class A common stock and Agere Class B common stock have been aggregated and sold through an independent agent and the net proceeds have been paid to Lucent common shareowners entitled to a fractional share of Agere Class A common stock or Agere Class B common stock. The enclosed check represents your allocable share of the sales proceeds. A statement accompanying the check shows how much of the check is attributable to fractional shares of Agere Class A common stock and Agere Class B common stock.

TAX INFORMATION

Lucent received a ruling from the Internal Revenue Service that the distribution of its shares of Agere Class A common stock and Agere Class B common stock qualifies as a tax-free distribution for U.S. Federal income tax purposes. As a result, Lucent shareowners will not recognize gain or loss on the receipt of shares of Agere Class A common stock and Agere Class B common stock, except in connection with cash received in lieu of a fractional share. The taxable gain or loss that must be recognized for U.S. Federal income tax purposes will be equal to the difference between the cash received and the shareowner's tax basis in the fractional share. You can determine your tax basis using the enclosed worksheet.

TAX BASIS ALLOCATION

To calculate your net gain or loss on the sale of stock, you must calculate your tax basis in the stock. If your sales proceeds exceed your tax basis in the stock sold, you will realize a gain on the sale of the stock equal to the difference between the sales proceeds and your tax basis. Conversely, if your sales proceeds are less than your tax basis in the stock sold, you will realize a loss on the sale equal to the difference between the sales proceeds and your tax basis.

If you bought your shares of Lucent common stock and did not acquire them as a gift or in a similar manner, your tax basis in those shares is generally your cost of acquiring the shares. If, however, you were a shareowner of record of Lucent as of September 20, 2000 and received shares of common stock of Avaya Inc. ("Avaya") as a result of the spin-off of Avaya by Lucent, your tax basis in your shares of Lucent common stock is the cost of acquiring those shares reduced by the cost that was allocated to the shares of Avaya common stock that you received. If you received shares of Avaya common stock in the spin-off of Avaya, you should have also received a worksheet similar to the enclosed worksheet showing you how to allocate your tax basis between your shares of Lucent common stock and Avaya common stock. You should complete that worksheet before you complete the enclosed worksheet. If you did not acquire your shares of Lucent common stock by purchasing them, consult your tax adviser to determine your tax basis in those shares.

Because of the spin-off of Agere, you must allocate the tax basis of your pre-spin-off shares of Lucent common stock between your post-spin-off shares of Lucent common stock and your newly received shares of Agere common stock. If you own shares of Lucent preferred stock, none of your tax basis in that preferred stock should be allocated to shares of Agere common stock. The enclosed worksheet will help you calculate your new tax basis in your shares of Lucent common stock, Agere Class A common stock and Agere Class B common stock. If you acquired your shares of Lucent common stock at different times and costs, including shares received through a dividend reinvestment plan, you will need to calculate a separate tax basis for each group of shares of Lucent common stock, as well as the shares of Agere common stock received in connection with those shares of Lucent common stock.

SHAREOWNER STATEMENT

U.S. Treasury regulations require that you sign and attach to your U.S. Federal income tax return a statement setting forth certain prescribed information about the distribution of shares of Agere common stock. A statement you can use for this purpose when you file your 2002 U.S. Federal income tax return is enclosed. **The statement should be attached to your 2002 U.S. Federal income tax return and should NOT be sent to The Bank of New York.**

CONSULT YOUR TAX ADVISER

The information in this document represents our understanding of U.S. Federal income tax laws and regulations, and does not constitute tax advice. It does not purport to be complete or to describe the consequences that may apply to particular categories of shareowners. You should consult your own tax adviser regarding the particular consequences of the stock distribution, including the applicability and effect of any state, local and foreign tax laws.

HOW TO CALCULATE YOUR TAX BASIS

You can use the following worksheet to calculate the taxable gain or loss for the cash received in lieu of the fractional shares of Agere Class A common stock and Agere Class B common stock. In addition, shareowners who choose to sell shares of their Lucent common stock, Agere Class A common stock or Agere Class B common stock will need to apply the same tax basis allocation to determine the taxability of any net gain or loss.

Based on the average high and low prices at which Lucent common stock, Agere Class A common stock and Agere Class B common stock traded on June 3, 2002, as reported for the New York Stock Exchange transactions, 81.7445% of your pre-spin-off tax basis should be allocated to your shares of Lucent common stock, 0.7136% should be allocated to your shares of Agere Class A common stock (including any fractional share interest) and 17.5419% should be allocated to your shares of Agere Class B common stock (including any fractional share interest). If you own shares of Lucent preferred stock, none of your tax basis in that preferred stock should be allocated to Agere Class A common stock or Agere Class B common stock.

A hypothetical example is provided along with space to fill in your actual numbers. In order to use the worksheet, you will need to know the tax basis of your shares of Lucent common stock before the spin-off. If you bought Lucent common stock on more than one occasion, you will need to perform this computation separately for each purchase.

HYPOTHETICAL EXAMPLE

In this example, 100 shares of Lucent common stock were purchased for \$10 per share, resulting in a tax basis of \$1,000. Because the Agere distribution ratio was .010779 shares of Agere Class A common stock and .264563 shares of Agere Class B common stock for each share of Lucent common stock owned, the holder receives one whole share of Agere Class A common stock, 26 whole shares of Agere Class B common stock, and a check for .0779 of a share of Agere Class A common stock and .4563 of a share of Agere Class B common stock. The original tax basis of \$1,000 must now be allocated to the post-spin-off shares of Lucent common stock and to the newly received shares of Agere Class A common stock. 81.7445% will be allocated to Lucent common stock, 0.7136% will be allocated to Agere Class A common stock and 17.5419% will be allocated to Agere Class B common stock.

LUCENT TAX BASIS CALCULATION

$\$1,000 \times .817445 = \817.45 . This is the new total tax basis for your shares of Lucent common stock. To get the tax basis per share, divide \$817.45 by 100, the total Agere Class A common stock share amount. $\$817.45$ divided by 100 = \$8.17 per share.

Example:
$$\begin{array}{rclclclcl} \$1,000 & \times & .817445 & = & \$817.45 & \div & 100 & = & \$8.17 \\ \text{Original tax basis} & & \text{Allocated ratio} & & \text{New total tax basis of Lucent common stock} & & \text{Total number of shares} & & \text{New tax basis per share of Lucent common stock} \end{array}$$

Calculate *your* new tax basis per share of Lucent common stock here:

$$\begin{array}{rclclclcl} \text{Original tax basis} & \times & .817445 & = & \text{New total tax basis of Lucent common stock} & \div & \text{Total number of shares} & = & \text{New tax basis per share of Lucent common stock} \end{array}$$

AGERE CLASS A COMMON STOCK TAX BASIS CALCULATION

$\$1,000 \times .007136 = \7.14 . This is the new total tax basis for your shares of Agere Class A common stock. To get the tax basis per share, divide \$7.14 by 1.0779, the total Agere Class A common stock share amount (including any fractional share interest). $\$7.14$ divided by 1.0779 = \$6.62 per share.

Example:
$$\begin{array}{rclclclcl} \$1,000 & \times & .007136 & = & \$7.14 & \div & 1.0779 & = & \$6.62 \\ \text{Original tax basis} & & \text{Allocated ratio} & & \text{New total tax basis of Agere Class A common stock} & & \text{Total number of shares} & & \text{New tax basis per share of Agere Class A common stock} \\ & & & & & & \text{(including any fractional share interest)} & & \end{array}$$

Calculate *your* new tax basis per share of Agere Class A common stock here:

$$\begin{array}{rclclclcl} \text{Original tax basis} & \times & .007136 & = & \text{New total tax basis of Agere Class A common stock} & \div & \text{Total number of shares} & = & \text{New tax basis per share of Agere Class A common stock} \\ & & & & & & \text{(including any fractional share interest)} & & \end{array}$$

AGERE CLASS A COMMON STOCK FRACTIONAL SHARE BASIS

Example:
$$\begin{array}{rclclcl} \$6.62 & \times & .0779 & = & \$0.52 \\ \text{New per share tax basis} & & \text{Number of fractional shares} & & \text{Tax basis of fractional shares} \\ \text{of Agere Class A common stock} & & \text{of Agere Class A stock common sold} & & \text{of Agere Class A common stock sold} \end{array}$$

Calculate *your* Agere Class A common stock fractional share tax basis:

$$\begin{array}{rclclcl} \text{New per share tax basis} & \times & \text{Number of fractional shares} & = & \text{Tax basis of fractional shares} \\ \text{of Agere Class A common stock} & & \text{of Agere Class A common stock sold} & & \text{of Agere Class A common stock sold} \end{array}$$

LOSS OR GAIN FROM SALE OF FRACTIONAL SHARES OF AGERE CLASS A COMMON STOCK

Example:
$$\begin{array}{rclclcl} \$0.24^* & - & \$0.52 & = & \$(-0.28) \\ \text{Portion of check for fractional} & & \text{Tax basis for fractional shares} & & \text{Loss from sale of fractional} \\ \text{shares of Agere Class A common stock} & & \text{of Agere Class A common stock sold} & & \text{shares of Agere Class A common stock} \end{array}$$

Calculate *your* loss/gain from the sale of fractional shares of Agere Class A common stock here:

$$\begin{array}{rclclcl} \text{Portion of check for fractional} & - & \text{Tax basis for fractional shares} & = & \text{Loss/gain from sale of fractional} \\ \text{shares of Agere Class A common stock} & & \text{of Agere Class A common stock sold} & & \text{shares of Agere Class A common stock} \end{array}$$

*The amount shown is solely for purposes of demonstrating the formula. The actual portion of the check that is attributable to fractional shares of Agere Class A common stock, if any, appears on the enclosed statement.

AGERE CLASS B COMMON STOCK TAX BASIS CALCULATION

$\$1,000 \times .175419 = \175.42 . This is the new total tax basis for your shares of Agere Class B common stock. To get the tax basis per share, divide \$175.42 by 26.4563, the total Agere Class B common stock share amount (including any fractional share interest). $\$175.42$ divided by 26.4563 = \$6.63 per share.

Example:
$$\begin{array}{rclclclcl} \$1,000 & \times & .175419 & = & \$175.42 & \div & 26.4563 & = & \$6.63 \\ \text{Original tax basis} & & \text{Allocated ratio} & & \text{New total tax basis of Agere Class B common stock} & & \text{Total number of shares} & & \text{New tax basis per share of Agere Class B common stock} \\ & & & & & & \text{(including any fractional share interest)} & & \end{array}$$

Calculate *your* new tax basis per share of Agere Class B common stock here:

$$\begin{array}{rclclclcl} \text{Original tax basis} & \times & .175419 & = & \text{New total tax basis of Agere Class B common stock} & \div & \text{Total number of shares} & = & \text{New tax basis per share of Agere Class B common stock} \\ & & & & & & \text{(including any fractional share interest)} & & \end{array}$$

AGERE CLASS B COMMON STOCK FRACTIONAL SHARE BASIS

Example:
$$\begin{array}{rclclcl} \$6.63 & \times & .4563 & = & \$3.03 \\ \text{New per share tax basis} & & \text{Number of fractional shares} & & \text{Tax basis of fractional shares} \\ \text{of Agere Class B common stock} & & \text{of Agere Class B common stock sold} & & \text{of Agere Class B common stock sold} \end{array}$$

Calculate *your* Agere Class B common stock fractional share tax basis:

$$\begin{array}{rclclcl} \text{New per share tax basis} & \times & \text{Number of fractional shares} & = & \text{Tax basis of fractional shares} \\ \text{of Agere Class B common stock} & & \text{of Agere Class B common stock sold} & & \text{of Agere Class B common stock sold} \end{array}$$

LOSS OR GAIN FROM SALE OF FRACTIONAL SHARES OF AGERE CLASS B COMMON STOCK

Example:
$$\begin{array}{rclclcl} \$1.43^* & - & \$3.03 & = & \$(-1.60) \\ \text{Portion of check for fractional} & & \text{Tax basis for fractional shares} & & \text{Loss from sale of fractional} \\ \text{shares of Agere Class B common stock} & & \text{of Agere Class B common stock sold} & & \text{shares of Agere Class B common stock} \end{array}$$

Calculate *your* loss/gain from the sale of fractional shares of Agere Class B common stock here:

$$\begin{array}{rclclcl} \text{Portion of check for fractional} & - & \text{Tax basis for fractional shares} & = & \text{Loss/gain from sale of fractional} \\ \text{shares of Agere Class B common stock} & & \text{of Agere Class B common stock sold} & & \text{shares of Agere Class B common stock} \end{array}$$

*The amount shown is solely for purposes of demonstrating the formula. The actual portion of the check that is attributable to fractional shares of Agere Class B common stock, if any, appears on the enclosed statement.

Inquiries concerning your Avaya account should be directed to: 1-866-22AVAYA

Or write to: Avaya Shareholder Services
c/o The Bank of New York
Church Street Station
P.O. Box 11033
New York, NY 10286-1033
E-mail: avshareholders@bankofny.com

Inquiries concerning your Lucent account should be directed to: 1-888-LUCENT6

Or write to: Lucent Shareholder Services
c/o The Bank of New York
Church Street Station
P.O. Box 11009
New York, NY 10286-1009
E-mail: lu-shareholders-svcs@email.bony.com

CONSULT YOUR TAX ADVISOR

The information in this document represents our understanding of federal income tax laws and regulations, and does not constitute tax advice. It does not purport to be complete or to describe the consequences that may apply to particular categories of shareowners. You should consult your own tax advisor regarding the particular consequences of the stock distribution, including the applicability and effect of any state, local and foreign tax laws.

TAX INFORMATION FOR SHAREOWNERS OF LUCENT TECHNOLOGIES INC.

Lucent Technologies Inc. distributed its shares of Avaya Inc. common stock to Lucent shareowners on Sept. 30, 2000, as expected. Lucent and Avaya are now two fully independent, publicly owned companies. This document contains information related to the special distribution of the Avaya shares:

- An explanation of the tax implications for Lucent shareowners as the result of the Avaya spin-off.
- A worksheet that will help you complete important tax calculations.

BACKGROUND INFORMATION

Lucent shareowners of record on Sept. 20, 2000, received a distribution of 1 share of common stock of Avaya for every 12 shares of Lucent stock owned. Full shares of Avaya should have been received on or about Sept. 30. As previously announced, shareowners entitled to a fractional share of Avaya will receive a cash payment instead. The check contained in this package represents this cash payment. The fractional shares of Avaya common stock have been aggregated and sold through an independent agent, with the net proceeds being paid as appropriate to those entitled to a fractional share.

TAX INFORMATION

Lucent received a ruling from the Internal Revenue Service that the distribution of Avaya common stock qualifies as a tax-free distribution for federal income tax purposes in the United States. This means that, in general, Lucent shareowners will not recognize a gain or loss related to the receipt of Avaya shares, except in connection with cash received in lieu of a fractional share. The taxable gain or loss that must be recognized for income tax purposes will be equal to the difference between the cash received and the shareowner's tax basis in the fractional share (you can determine your tax basis using the worksheet that follows).

TAX BASIS ALLOCATION

It is necessary to determine your "tax basis" to calculate your net gain or loss on the sale of stock. This tax basis is then compared to the sale price of that stock to determine your net gain or loss. If you bought your shares (and did not acquire them as a gift or in a similar fashion), "tax basis" refers to your *cost of acquiring* your shares of stock. If you did not acquire your shares by purchasing them, consult your tax advisor to determine your tax basis. Because of the spin-off, you must divide – or allocate – the tax basis of your pre-spin-off Lucent shares between your post-spin-off Lucent shares and your newly received Avaya shares. (The worksheet that follows, will help you do this). If you acquired pre-spin-off Lucent shares at different times and costs (including shares received through a dividend reinvestment plan), you will need to calculate a separate tax basis for each group of Lucent shares, as well as the Avaya shares received in connection with these Lucent shares.

SHAREOWNER STATEMENT

United States Treasury Department regulations require that you sign and attach to your income tax return a statement setting forth certain prescribed information about the Lucent/Avaya stock distribution. Enclosed in this package is a statement you can use for this purpose when you file your 2000 federal income tax return.

HOW TO CALCULATE YOUR TAX BASIS:

You can use the following worksheet to calculate the taxable gain or loss for the cash received in lieu of the fractional share of Avaya. In addition, shareowners who choose to sell either their Lucent or Avaya shares will need to apply the same tax basis allocation to determine taxability on any net gain or loss.

Based on the average high and low prices at which Lucent and Avaya traded on Oct. 2, 2000 – as reported for the New York Stock Exchange transaction – 94.524% of your pre-spin-off tax basis should be allocated to your Lucent shares, and the remaining 5.476% should be allocated to your new Avaya shares (including any fractional share interest).

A hypothetical example is provided along with space to fill in your actual numbers. In order to use this worksheet, you will need to know the original tax basis of your pre-spin-off Lucent shares. If you bought Lucent on more than one occasion, you will need to perform this computation separately for each purchase.

HYPOTHETICAL EXAMPLE

In this example, 100 shares of Lucent were purchased at \$30 per share, resulting in a tax basis of \$3,000. Because the Avaya distribution ratio was .083333 of a share of Avaya for each Lucent share owned, the holder receives 8 whole shares of Avaya, as well as a check for .3333 of a share. The original \$3,000 tax basis must now be allocated to the post-spin-off Lucent shares and to the newly received Avaya shares. 94.524% of the \$3,000 will be allocated to Lucent and 5.476% allocated to Avaya.

LUCENT TAX BASIS CALCULATION

$\$3,000 \times .94524 = \mathbf{\$2,835.72}$. This is the new total tax basis for Lucent shares. To get the tax basis per share divide \$ 2,835.72 by 100, the total share amount.

$\$2,835.72$ divided by 100 = \$ 28.3572 per share.

| | | | | | | | | | |
|-----------------|--------------------------|---|-----------------|---|----------------------------|---|------------------------|---|--|
| Example: | \$3,000 | x | .94524 | = | \$2,835.72 | ÷ | 100 | = | \$28.3572 |
| | Original total tax basis | x | Allocated ratio | = | New total Lucent tax basis | ÷ | Total number of shares | = | <u>New Lucent per share tax basis</u> |

Calculate your new Lucent per share tax basis here:

| | | | | | | | | | |
|--|--------------------------|---|-----------------|---|----------------------------|---|------------------------|---|--|
| | <input type="text"/> | x | .94524 | = | <input type="text"/> | ÷ | <input type="text"/> | = | <input type="text"/> |
| | Original total tax basis | x | Allocated ratio | = | New total Lucent tax basis | ÷ | Total number of shares | = | <u>New Lucent per share tax basis</u> |

AVAYA TAX BASIS CALCULATION

$\$3,000 \times .05476 = \164.28 . This is the total tax basis for Avaya shares. To get the tax basis per share divide \$164.28 by 8.3333, the total share amount.

$\$164.28$ divided by 8.3333 = \$19.7137 per share.

| | | | | | | | | | |
|-----------------|--------------------------|---|-----------------|---|---------------------------|---|------------------------|---|---|
| Example: | \$3,000 | x | .05476 | = | \$164.28 | ÷ | 8.3333 | = | \$19.7137 |
| | Original total tax basis | x | Allocated ratio | = | New total Avaya tax basis | ÷ | Total number of shares | = | <u>New Avaya per share tax basis</u> |

Calculate your new Avaya per share tax basis here:

| | | | | | | | | | |
|--|--------------------------|---|-----------------|---|---------------------------|---|------------------------|---|---|
| | <input type="text"/> | x | .05476 | = | <input type="text"/> | ÷ | <input type="text"/> | = | <input type="text"/> |
| | Original total tax basis | x | Allocated ratio | = | New total Avaya tax basis | ÷ | Total number of shares | = | <u>New Avaya per share tax basis</u> |

AVAYA FRACTIONAL SHARE TAX BASIS

| | | | | | |
|-----------------|-------------------------------|---|----------------------------------|---|---|
| Example: | \$19.7137 | x | .3333 | = | \$6.57 |
| | New Avaya per share tax basis | x | Number of fractional shares sold | = | Tax basis for fractional shares sold |

Calculate your Avaya fractional share tax basis here:

| | | | | | |
|-----------------|-------------------------------|---|----------------------------------|---|---|
| Example: | <input type="text"/> | x | <input type="text"/> | = | <input type="text"/> |
| | New Avaya per share tax basis | x | Number of fractional shares sold | = | Tax basis for fractional shares sold |

LOSS OR GAIN FROM SALE OF FRACTIONAL SHARES

| | | | | | |
|-----------------|----------------------------------|---|--------------------------------------|---|---|
| Example: | \$16.26* | – | \$6.57 | = | \$9.69 |
| | Amount of fractional share check | – | Tax basis for fractional shares sold | = | Loss/gain from fractional share sale |

Calculate your loss/gain from fractional shares sale here:

| | | | | | |
|-----------------|----------------------------------|---|--------------------------------------|---|---|
| Example: | <input type="text"/> | – | <input type="text"/> | = | <input type="text"/> |
| | Amount of fractional share check | – | Tax basis for fractional shares sold | = | Loss/gain from fractional share sale |

* The price shown is solely for the purpose of demonstrating the formula. The actual amount appears on the enclosed check and statement, if any.