

Alcatel-Lucent: CWA Solidarity Message - French Unions

October 31, 2007

Below is a solidarity message from Ralph Maly to the French Unions who held press conferences and informational pickets today protesting the Alcatel-Lucent Board's new plans and restructuring.

October 31st Message of Solidarity from CWA Vice President Ralph Maly In Solidarity with all Alcatel-Lucent Workers

Brothers and Sisters,

In the United States October 31st is a holiday called Halloween. Children all over the country dress up like monsters and villains and go from house to house asking for treats. Unfortunately for too many of their parents, the monsters and villains are real. Alcatel-Lucent is one of those villains. They bring hardship and destruction to families all over the world.

Just as you are fighting Alcatel-Lucent's newest attacks on your members, here we continue to fight management's attempts to eliminate their entire unionized workforce in the United States. Just last week, they announced the closing of the LAST TWO Unionized manufacturing plants in the United States. In every area of their business, from production to installation to their research facilities, their single minded goal is to become a Non-union Company.

The Communications Workers of America are with you in your struggle on this day and in the difficult days to come. Together we will stand up to these "monsters" who are trying to steal the life-blood from our families and our Unions.

**In Unity,
Ralph Maly, Vice President
CWA - Communications & Technologies**

Alcatel-Lucent to Speed Restructuring After Swinging to Third-Quarter Loss

By LEILA ABBOUD and JETHRO MULLEN
October 31, 2007 11:00 a.m.

Alcatel-Lucent's Chief Executive Patricia Russo is betting that additional costs cuts and a slimmed down management team can turn around the struggling telecommunications-equipment maker, but it is unclear whether the moves are sufficient to restore confidence in a company hammered by slowing growth and brutal cost competition.



Patricia Russo

In a much anticipated turnaround plan requested by the company's board, Ms. Russo promised 4,000 new job cuts to save €400 million (\$577 million) annually by 2009 and promised an overhaul at its major business unit to make it more profitable. Alcatel-Lucent is still implementing a previous round of 12,500 job cuts.

Ms. Russo also announced that Chief Financial Officer Jean-Pascal Beaufret would be replaced and that the senior management team would be reduced to seven executives instead of the unwieldy group of 21 previously.

Analysts gave the announcement mixed reviews. The new measures are "not what the market was expecting" as "people were expecting more urgent action," said Nomura analyst Richard Windsor. Other analysts had called for much larger job cuts to further reduce costs and even for the firm to consider selling off weak technology in its struggling wireless division.

The moves are part of a damage-control effort by Ms. Russo following three consecutive profit warnings at the company since it completed a merger last December. Alcatel-Lucent's share price has nosedived over 39% so far this year as a result, erasing about \$12 billion in market capitalization, an amount roughly akin to Lucent's value before the merger.

Many investors and analysts have come to believe that the \$13 billion merger between Paris-based Alcatel SA and New Jersey-based Lucent Corp is failing to deliver on its promise of creating a world leader in telecom equipment. Joining the two companies was supposed to stabilize margins through cost cuts and reduced research and development spending, while allowing it to gain greater pricing power with its biggest customers -- telecom operators.

Alcatel-Lucent had promised to generate €1.7 billion in cost savings over three years after the merger, and is on track to save some €600 million this year alone.

But the bulk of the savings wrung from the merger have largely gone toward discounts passed on to customers amid intense competition in the rapidly consolidating telecom industry. And Alcatel-Lucent hasn't been able to realize all the savings it had hoped for from shedding overlapping products from the two companies. That has handicapped it in the wireless division, where Alcatel-Lucent lags behind market leader Telefon AB LM **Ericsson**.

There is also wider concern about a slowdown in spending in the global telecommunications-equipment market. Alcatel-Lucent's Swedish arch rival, Ericsson, slashed its own forecasts for third-quarter revenue and profits on Oct. 16, blaming a shortfall in higher-margin activities, such as mobile-network upgrades and expansions.

The industry's other major player, Nokia Siemens Networks, a combination of the network-building operations of **Nokia** Corp. and Siemens AG, has struggled with its own merger-related problems, but is trying to improve profitability while further cutting costs.

Alcatel-Lucent reported a third-quarter net loss of €345 million, compared with a pro-forma €32 million net profit a year earlier. The net result was dragged down by a lower performance of its wireless business, notably in the U.S., and by strong competition on the convergence segment, the company said. An exact comparison with last year's third-quarter results can't be made as the two companies had not yet merged.

Revenues in the third quarter dipped 11.4% to €4.35 billion from €4.91 billion. The number was up 2.3% sequentially, in line with the company's guidance of slight growth.

The company changed its full-year guidance for revenue growth, saying it now sees flat revenue for 2007. Initially, Alcatel-Lucent was targeting full-year revenue flat to slightly up at constant currency rates. Alcatel-Lucent said it expects a rise in revenue in the fourth quarter from the third quarter.

Ms. Russo said that since its Sept. 13 profit warning, the company had noticed "a little bit of a slowdown in spending that we're talking about and our competitors talked about." In particular, she noted a further "slowdown in spending in the wireline market," especially in North America.

The company wouldn't comment on what countries would be affected by the new round of job cuts. But since Alcatel-Lucent recently concluded negotiations with powerful unions in France and elsewhere in Europe, it might not be easy to cut more jobs in these countries where workers are protected by stricter labor laws than in the U.S. In France, Alcatel-Lucent spent more than six months negotiating an agreement with local unions that resulted in layoffs of 1,468 workers. **Unions in France called for workers at Alcatel-Lucent to put down their tools for one hour today to protest the layoff plans.**

"These are difficult but necessary decisions, and we will manage these reductions with care," Ms. Russo said in a statement.