PRESS RELEASE

Alcatel-Lucent Reports Q2 2016 revenues and H1 2016 results

Key numbers for the second quarter of 2016 and the first half of 2016 (unaudited)

In Euro million	Second quarter 2016	Second quarter 2015	Change y-o-y	First quarter 2016	Change q-o-q
Profit&Loss Statement					
Revenues	**3,079**	**3,450**	**-11%/-9%***	**3,017**	**2%/2%***
o/w Ultra Broadband Networks	*1,639*	*1,865*	*-12%/-11%**	*1,588*	*3%/3%**
o/w IP Networks and Applications	*1,159*	*1,304*	*-11%/-8%**	*1,181*	*-2%/-1%**

***At constant rate**

In Euro million (except for EPS)	H1 2016	H1 2015	Change y-o-y
Profit&Loss Statement			
Revenues	**6,096**	**6,685**	**-9%/-8%***
o/w Ultra Broadband Networks	*3,227*	*3,757*	*-14%/-14%**
o/w IP Networks and Applications	*2,340*	*2,424*	*-3%/-2%**
Gross profit	**2,154**	**2,321**	**(167)**
in % of revenues	*35.3%*	*34.7%*	*60 bps*
Adjusted operating income	**157**	**257**	**(100)**
in % of revenues	*2.6%*	*3.8%*	*-120 bps*
Net income (loss) (Group share)	**1,321**	**(145)**	**1,466**
Reported EPS diluted (in Euro)	0.37	(0.05)	*Nm*
Cash Flow Statement			
Free cash flow	**(2,073)**	**(267)**	**(1,806)**

***At constant rate**

Paris, August 4, 2016 - Alcatel-Lucent reports its revenues for Q2 2016 and results for the first half of 2016. Olivier Durand, Chief Executive Officer of Alcatel-Lucent, comments: "While our first half 2016 results were impacted by a challenging wireless infrastructure market, Alcatel-Lucent's operating profitability remained solid, with continued progress on gross margin and costs. Free cash flow in the first half of 2016 reflects mainly the implementation of the combined new Nokia's capital structure optimization program as well as a number of one-time items linked to the change of control. The integration with Nokia continues at a fast pace, all decisions have been made on product portfolio roadmaps and synergy implementation has been launched. In the second quarter of 2016, Alcatel-Lucent and Nokia reached an important milestone, as Nokia surpassed 95% ownership of Alcatel-Lucent. The transaction will be finalized via a public exchange offer in cash followed by the squeeze-out of our remaining shares and OCEANEs in cash."

HIGHLIGHTS OF JANUARY - JUNE 2016

- Group revenues were Euro 6,096 million in the first half of 2016, a 9% decrease compared to the year-ago period. On a constant currency basis, revenues would have decreased 8% year-over-year.
- Gross margins were 35.3% in the first half of 2016, compared to 34.7% in the year-ago period. This improvement was driven by the positive evolution of costs and favorable mix, which more than

compensated the adverse impact from certain integration projects. Excluding this negative impact, gross margins would have been approximately 35.9%.

- Operating margins of 2.6%, declined by 120 bps year-over-year compared to the same period last year, driven mostly by the decline in overall revenues. Excluding the above-mentioned adverse impact, operating margins would have been approximately 3.1%.
- Reported net income (Group share) was Euro 1,321 million or Euro 0.37 per diluted share in the first half of 2016, compared to a reported net loss (Group share) of Euro (145) million or Euro (0.05) per share in the year-ago period. The positive results in the first half of 2016 were primarily attributable to the activation of some deferred tax assets, for Euro 2.4 billion, which was partially offset by impairment charges of Euro 489 million related to the early termination of one of our licensing agreements with Qualcomm and the reassessment of the valuation of our legacy brands.
- Free cash flow of Euro (2,073) million in the first half of 2016 mainly reflects the implementation of the combined new Nokia's capital structure optimization program, in particular the reductions in the sale of receivables and the fees related to the accelerated repayment of our high yield bonds as Nokia now provides credit facilities to Alcatel-Lucent. The implementation of capital structure optimization program will reduce running costs related to financing activities. The free cash flow was also negatively impacted by other elements, the primarly one being the early termination of a license agreement with Qualcomm, which exercised a change of control clause. Excluding these items, free cash flow for the first half of 2016 would have been approximately Euro (270) million, a level comparable to the first half of last year.

HIGHLIGHTS OF Q2 2016

Revenue highlights

Group revenues (In Euro million)	**Second quarter 2016**	**Second quarter 2015**	**Change y-o-y (actual)**	**Change y-o-y (constant)**	**First quarter 2016**	**Change q-o-q (actual)**	**Change q-o-q (constant)**
Total Networks	**2,798**	**3,169**	**-12%**	**-10%**	**2,769**	**1%**	**1%**
Ultra Broadband Networks	1,639	1,865	-12%	-11%	1,588	3%	3%
Mobile Networks	*1,033*	*1,318*	*-22%*	*-21%*	*992*	*4%*	*3%*
Fixed Networks	*606*	*547*	*11%*	*14%*	*596*	*2%*	*2%*
IP Networks and Applications	1,159	1,304	-11%	-8%	1,181	-2%	-1%
IP/Optical Networks	*995*	*1,073*	*-7%*	*-4%*	*991*	*1%*	*2%*
Applications & Analytics	*164*	*231*	*-29%*	*-27%*	*190*	*-14%*	*-13%*
Common Group and Other(1)	**281**	**281**	**0%**	**-3%**	**248**	**13%**	**14%**
Total Group revenues	**3,079**	**3,450**	**-11%**	**-9%**	**3,017**	**2%**	**2%**

(1) After elimination of inter-segment revenues

- On a Group level, revenues in Q2 2016 totaled Euro 3,079 million, a decrease of 11% year-over-year and an increase of 2% sequentially at actual rates. On a constant currency basis, revenues would have decreased 9% year-over-year and increased 2% sequentially.
- Networks revenues totaled Euro 2,798 million, a decrease of 12% year-over-year and a 1% increase sequentially. On a constant currency basis, revenues would have decreased 10% year-over-year and increased 1% sequentially.
- Ultra Broadband Networks revenues totaled Euro 1,639 million in Q2 2016, a decrease of 12% year-over-year and a 3% increase sequentially. On a constant currency basis, revenues would have decreased 11% year-over-year and increased 3% sequentially. The year-over-year decrease was primarily driven by Mobile Networks, partially offset by growth in Fixed Networks.
  - The decrease in Mobile Networks was primarily attributable to lower levels of activity across regions, particularly North America and Greater China.
  - The increase in Fixed Networks was primarily due to broadband access and digital home, partially offset by a decrease in services. Fixed Networks benefitted from large projects with certain customers in Australia and Mexico, as well as continued momentum in digital home in North America.
- IP Networks and Applications revenues were Euro 1,159 million in Q2 2016, a decrease of 11% year-over-year and 2% sequentially. On a constant currency basis, revenues would have decreased 8% year-

over and 1% sequentially. The year-over-year decrease was driven by both IP/Optical Networks and Applications & Analytics.

- Within IP/Optical Networks, revenues declined in both IP routing and optical networks, against a strong comparison in the year-ago quarter. In the second quarter 2016, IP routing decreased in North America due to lower spending with Tier 1 customers, partially offset by higher spending by Tier 1 customers in Greater China and Asia-Pacific. Optical networks faced a strong comparison base in the year-ago quarter, as revenues were adversely affected by the timing of projects, primarily in Middle East & Africa.
- The decrease in Applications & Analytics net sales was due to declines across all business lines, primarily due to the timing of large projects in North America.

- Group Common and Other revenues totaled Euro 281 million, flat year-over-year and an increase of 13% sequentially. On a constant currency basis, revenues would have decreased 3% and increased 14% sequentially.

Geographical revenue highlights

From the first quarter 2016, Alcatel-Lucent has aligned its geographic reporting structure with Nokia's, under six regions: Asia-Pacific, Europe, Greater China, Latin America, Middle East & Africa and North America. For comparison purposes, Alcatel-Lucent has also recast its Q2 2015 revenues according to this geographical structure.

Geographic breakdown of revenues (In Euro million)	**Second quarter 2016**	**Second quarter 2015**	**Change y-o-y (actual)**	**First quarter 2016**	**Change q-o-q (actual)**
Asia-Pacific	362	304	19%	358	1%
Europe	767	830	-8%	754	2%
Greater China	281	339	-17%	197	43%
Latin America	202	196	3%	184	10%
Middle East & Africa	149	249	-40%	171	-13%
North America	1,318	1,532	-14%	1,353	-3%
Total group revenues	**3,079**	**3,450**	**-11%**	**3,017**	**2%**

From a geographic perspective, North America revenues declined 14% year-over-year to Euro 1,318 million, primarily due to Mobile Networks. Revenues in Greater China totaled Euro 281 million, a decrease of 17% compared to the year-ago period, also primarily due to Mobile Networks. Middle East and Africa revenues totaled Euro 149 million, a decline of 40% year-over-year, driven by strong optical networks revenues in the year-ago quarter. Asia-Pacific revenues totaled Euro 362 million, an increase of 19% year-over-year, driven by Fixed Networks. Europe revenues were Euro 767 million, representing a 8% decrease year-over-year. Latin America revenues were Euro 202 million, representing a 3% year-over-year increase.

Key Events in Q2 2016

- As synergy actions related to the integration with Nokia have been launched, Alcatel-Lucent recognized Euro 375 million of restructuring costs in the first half of 2016.
- In the first half of 2016, we recorded impairment charges of Euro 489 million related to the termination of one of our licensing agreements with Qualcomm, as well as a charge related to the reassessment of the valuation of our legacy brands in the context of the integration and utilization of Nokia as the main brand of the combined company.
- As part of the periodic re-assessment of the recoverability of our deferred tax assets, we have revised our projections of taxable results in certain jurisdictions used in the recovery assessment as of June 30, 2016 to take into account the effects of the combination with Nokia. With the decisions regarding product portfolio being taken and the actions regarding synergies being launched, Alcatel-Lucent disposes of an enhanced visibility compared to the uncertainties which notably concerned the Mobile Networks activity of the Group in the past, given its limitation in terms of scale and capacity in the coming 5G technology

cycle. It has been considered probable that taxable results will be generated beyond the 5 year horizon retained in 2015 for the recognition of our deferred tax assets. This resulted in the recognition, in the second quarter of 2016, of additional deferred tax assets for Euro 2.4 billion, out of which Euro 1.9 billion by our North American subsidiary Alcatel-Lucent USA Inc. This change does not impact the overall amount of available tax losses carried forwards (NOLs) of approximately Euro 11 billion.

- At June 30, 2016, the Group's overall Pensions and OPEB exposure indicated a deficit of Euro (1,333) million compared to a deficit of Euro (1,271) million at December 31, 2015. The wider deficit primarily reflects the adverse effects from the decrease in discount rates in the period, mostly offset by positive performance in plan assets.
- On August 1, 2016, we acquired Gainspeed, to expand the portfolio of our Fixed Networks business group. Gainspeed is a US-based start-up specializing in Distributed Access Architecture solutions for the cable industry via its Virtual Converged Cable Access Platform product line.
- On June 16, 2016, Nokia announced that following private transactions, it will own 95.33% of the share capital and 95.26% of the voting rights of Alcatel-Lucent, corresponding to 95.16% of the Alcatel-Lucent shares on a fully diluted basis. Nokia intends to file with the French financial market authority (the "AMF") a public buy-out offer in cash of the remaining Alcatel-Lucent shares and OCEANEs during the third quarter of 2016, which will be followed by a squeeze-out in cash, in accordance with the General Regulation of the AMF. The buy-out offer will be subject to the review and clearance of the AMF.

FIRST HALF 2016 RESULTS

ULTRA BROADBAND NETWORKS

Breakdown of segment (In Euro million)	H1 2016	H1 2015	Change y-o-y (actual)	Change y-o-y (constant)
Ultra Broadband Networks				
Revenues	**3,227**	**3,757**	**-14%**	**-14%**
Mobile Networks	2,025	2,704	-25%	-25%
Fixed Networks	1,202	1,053	14%	16%
Gross profit	**1,107**	**1,203**	**(96)**	
in % of revenues	*34.3%*	*32.0%*	*228 bps*	
Adjusted Operating Income	**168**	**143**	**25**	
in % of revenues	*5.2%*	*3.8%*	*140 bps*	

- Ultra Broadband Networks revenues totaled Euro 3,227 million in the first half of 2016, a decrease of 14% compared to the year-ago period. On a constant currency basis, revenues would have also decreased 14% year-over-year. Within Ultra Broadband Networks, Mobile Networks revenues decreased 25% year-over-year both at actual rates and at constant currencies, while Fixed Networks revenues increased 14% year-over-year at actual rates and 16% at constant currencies.
  - Mobile Networks was impacted by a challenging wireless infrastructure market as well as the overall lower levels of activity across regions, particularly North America and Greater China.
  - Fixed Networks was driven by strength in broadband access and digital home, which benefited from large projects with customers in Australia and Mexico.
- Ultra Broadband Networks gross margins were 34.3% in the first half of 2016, compared to 32.0% in the year-ago period. Operating profits in the first half were Euro 168 million, or 5.2% of revenues, compared to Euro 143 million or 3.8% of revenues in the year-ago period. Overall profitability improved due to favorable mix and fixed cost reductions, in addition to strong performance in Fixed Networks.

IP NETWORKS AND APPLICATIONS

Breakdown of segment (In Euro million)	**H1 2016**	**H1 2015**	**Change y-o-y (actual)**	**Change y-o-y (constant)**
IP Networks and Applications				
Revenues	**2,340**	**2,424**	**-3%**	**-2%**
IP/Optical Networks	1,986	1,987	0%	2%
Applications & Analytics	354	437	-19%	-18%
Gross profit	**943**	**1,008**	**(65)**	
in % of revenues	*40.3%*	*41.6%*	*-128 bps*	
Adjusted Operating Income	**93**	**197**	**(104)**	
in % of revenues	*4.0%*	*8.1%*	*-417 bps*	

- IP Networks and Applications revenues totaled Euro 2,340 million in the first half of 2016, a decrease of 3% compared to the year-ago period. On a constant currency basis, revenues would have decreased 2% year-over-year. Within IP Networks and Applications, IP/Optical Networks revenues were flat year-over-year at actual rates and increased 2% at constant currencies, while Applications & Analytics revenues decreased 19% year-over-year at actual rates and 18% at constant currencies.
  - Within IP/Optical Networks, a growing optical networks business was partially offset by flat performance in IP routing, despite both businesses having a tough comparison in the year-ago period.
  - Application & Analytics revenues reflected declines across business lines, primarily due to the timing of large projects in North America.
- IP Networks and Applications gross margins were 40.3% in the first half of 2016, compared to 41.6% in the year-ago period. Operating profits in the first half were Euro 93 million, or 4.0% of revenues, compared to Euro 197 million or 8.1% of revenues in the year-ago period. The overall decline in IP Networks and Applications profitability was primarily related to Applications & Analytics, and to a lesser extent, IP/Optical Networks.

P&L HIGHLIGHTS

Adjusted Profit & Loss Statement (In Euro million except for EPS)	**H1 2016**	**H1 2015**	**Change y-o-y**
Revenues	**6,096**	**6,685**	**-9%/-8%***
Cost of sales	(3,942)	(4,364)	422
Gross profit	**2,154**	**2,321**	**(167)**
in % of revenues	*35.3%*	*34.7%*	*60 bps*
SG&A expenses	(778)	(864)	-10%
R&D costs	(1,219)	(1,200)	2%
Adjusted operating income	**157**	**257**	**(100)**
in % of revenues	*2.6%*	*3.8%*	*-120 bps*
Restructuring costs	(375)	(191)	(184)
Litigations	-	(19)	19
Gain/(loss) on disposal of consolidated entities & transaction costs	-	(1)	1
Transaction-related costs	(78)	(7)	(71)
Impairment of assets	(489)	-	(489)
Post-retirement benefit plan amendment	-	(1)	1
Financial expense	(242)	(142)	(100)
Share in net income of equity affiliates	1	1	-
Income/(loss) tax benefit	2,347	(25)	2,372
Income/(loss) from discontinued activities	1	(14)	15
Adjusted net income (loss) (Group share)	**1,338**	**(132)**	**1,470**
Non-controlling interests	(16)	(10)	(6)
Adjusted EPS diluted (in Euro)	0.37	(0.05)	Nm
Number of diluted shares (million)	3,564.0	2,787.5	Nm

CASH FLOW STATEMENT HIGHLIGHTS

Cash Flow highlights (In Euro million)	**H1 2016**	**H1 2015**
Adjusted operating income	**157**	**257**
Change in operating WCR	(1,044)	(93)
Depreciation & Amort and other adjustments	(322)	204
Operating Cash Flow	**(1,209)**	**368**
Interest	(88)	(92)
Income tax (expense)	(48)	(47)
Pension funding & retiree benefit cash outlays	(57)	(48)
Restructuring cash outlays	(186)	(205)
Capital expenditures (incl. R&D cap.)	(485)	(259)
Disposal of Intellectual Property	-	16
Free Cash Flow	**(2,073)**	**(267)**

- Free cash flow of Euro (2,073) million in the first half of 2016 mainly reflects the implementation of the combined new Nokia's capital structure optimization program, in particular the reductions in the sale of receivables and the fees related to the accelerated repayment of our high yield bonds as Nokia now provides credit facilities to Alcatel-Lucent. The implementation of capital structure optimization program will reduce running costs related to financing activities. The free cash flow was also negatively impacted by other elements, the primary one being the early termination of a license agreement with Qualcomm, which exercised a change of control clause. Excluding these items, free cash flow for the first half of 2016 would have been approximately Euro (270) million, a level comparable to the first half of last year.

BALANCE SHEET HIGHLIGHTS

Statement of position - Assets (In Euro million)	Jun 30, 2016	Dec 31, 2015
Total non-current assets	**13,300**	**12,191**
Goodwill & intangible assets, net	4,045	4,650
Prepaid pension costs	3,089	2,935
Other non-current assets	6,166	4,606
Total current assets	**9,900**	**11,592**
OWC assets	4,436	4,180
Other current assets	1,138	881
Marketable securities, cash & cash equivalents	4,326	6,531
Total assets	**23,200**	**23,783**

Statement of position - Liabilities and equity (In Euro million)	Jun 30, 2016	Dec 31, 2015
Total equity	**7,237**	**5,180**
Attributable to the equity owners of the parent	6,393	4,276
Non controlling interests	844	904
Total non-current liabilities	**8,471**	**10,645**
Pensions and other post-retirement benefits	4,791	4,506
Long term debt	3,160	4,632
Other non-current liabilities	520	1,507
Total current liabilities	**7,492**	**7,958**
Provisions	1,367	1,139
Short term debt	1,107	579
OWC liabilities	3,578	4,372
Other current liabilities	1,440	1,868
Total liabilities and shareholder's equity	**23,200**	**23,783**

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Notes

The Board of Directors of Alcatel-Lucent met on August 1, 2016 and examined the Group's unaudited consolidated financial statements at June 30, 2016.

Click here to see the financial statements.

About Alcatel-Lucent

Alcatel-Lucent has joined Nokia following successful exchange of shares, creating an innovation leader in next-generation technology and services for an IP connected world.

Questions from Journalists or sponsorship inquiries can be sent to our press office: press.services@nokia.com.

Visit Nokia.com for more information.

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. Words such as "will," "expect," "look to," "anticipate," "target," "project," "intend," "guidance", "maintain", "plan," "believe," "estimate," "aim," "goal," "outlook," "momentum," "continue," "reach," "confident in," "objective," "expansion", "adoption", "on track", "turnaround", 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 guaranties of future performance and involve certain risks, uncertainties and assumptions that are difficult to assess, including broad worldwide trends not within our control, locally specific events that may have an impact on our overall activities, as well as the expected benefits from the combination with Nokia and the impact of each of such operation on sales and income. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements, in particular with regard to product demand and market trends being as expected (in particular for those where we have decided to focus our resources), our ability to diversify our customer base, reach the targeted levels of cash flow generation, achieve the planned fixed cost savings. Actual outcomes may also differ materially, particularly in light of our acquisition by Nokia and the resulting impact it will have on our headcount, organization, product mix, site rationalization, contracts and markets. These risks and uncertainties are also based upon a number of factors including, among others, our ability to realize the full value of our existing and future intellectual property portfolio in a complex technological environment (including defending ourselves in infringement suits and licensing on a profitable basis our patent portfolio), our ability to operate effectively in a highly competitive industry and to correctly identify and invest in the technologies that become commercially accepted, demand for our legacy products and the technologies we pioneer, the timing and volume of network roll-outs and/or product introductions, difficulties and/or delays in our ability to execute on our other strategic plans, our ability to control our costs and expenses, the risks inherent in long-term sales agreements, exposure to the credit risk of customers or foreign exchange fluctuations, reliance on a limited number of suppliers for the components we need as well as our ability to efficiently source components when demand increases, the social, political risks we may encounter in any region of our global operations, the costs and risks associated with pension and postretirement benefit obligations, our ability to avoid unexpected contributions to such plans, changes to existing regulations or technical standards, existing and future litigation, compliance with environmental, health and safety laws, our ability to procure financing for our operations at an affordable cost, and the impact of each of these factors on our results of operations and cash. 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, 2015, as well as other filings by Alcatel-Lucent with the US Securities and Exchange Commission, and in particular those concerning the combination with Nokia, as well as Nokia's description of the risk and uncertainties affecting the group and our industry in its publications. 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.

ADJUSTED PROFORMA RESULTS

In the first half 2016, the reported net income (Group share) was Euro 1,321 million or Euro 0.37 per diluted share including the negative after tax impact from Purchase Price Allocation entries of Euro 17 million.

In addition to the reported results, Alcatel-Lucent is providing adjusted results in order to provide meaningful comparable information, which excludes the main non-cash impacts from Purchase Price Allocation (PPA) entries in relation to the Lucent business combination. The first half 2016 adjusted net income (Group share) was Euro 1,338 million or Euro 0.37 per diluted share.

	H1 2016		
(In Euro million except for EPS)	As reported	PPA	Adjusted
Revenues	6,096		6,096
Cost of sales	(3,942)		(3,942)
Gross Profit	**2,154**		**2,154**
SG&A expenses	(792)	14	(778)
R&D costs	(1,233)	14	(1,219)
Operating income	**129**	**28**	**157**
Restructuring costs	(375)		(375)
Litigations	-		-
Gain/(loss) on disposal of consolidated entities & transaction costs	(78)		(78)
Impairment of assets	(489)		(489)
Post-retirement benefit plan amendment	-		-
Income from operating activities	**(813)**	**28**	**(785)**
Financial expense	**(242)**		**(242)**
Share in net income of equity affiliates	1		1
Income/(loss) tax benefit	2,358	(11)	2,347
Income (loss) from continuing operations	**1,304**	**17**	**1,321**
Income (loss) from discontinued activities	1		1
Net Income (loss)	**1,305**	**17**	**1,322**
of which : Equity owners of the parent	**1,321**	**17**	**1,338**
Non-controlling interests	(16)		(16)
Earnings per share : basic	0.38		0.38
Earnings per share : diluted	0.37		0.37