

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

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

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

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

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

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

AGERE CLASS A COMMON STOCK FRACTIONAL SHARE BASIS

Example: $\begin{matrix} \$6.62 \\ \text{New per share tax basis} \\ \text{of Agere Class A common stock} \end{matrix} \times \begin{matrix} .0779 \\ \text{Number of fractional shares} \\ \text{of Agere Class A stock common sold} \end{matrix} = \begin{matrix} \$.52 \\ \text{Tax basis of fractional shares} \\ \text{of Agere Class A common stock sold} \end{matrix}$

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

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

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

Example: $\begin{matrix} \$.24^* \\ \text{Portion of check for fractional} \\ \text{shares of Agere Class A common stock} \end{matrix} - \begin{matrix} \$.52 \\ \text{Tax basis for fractional shares} \\ \text{of Agere Class A common stock sold} \end{matrix} = \begin{matrix} \$(-.28) \\ \text{Loss from sale of fractional} \\ \text{shares of Agere Class A common stock} \end{matrix}$

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

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

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

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

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

AGERE CLASS B COMMON STOCK FRACTIONAL SHARE BASIS

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

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

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

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

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

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

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

*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.