

Infrastructure of a Ubiquitous Society

Creating Value over IP™



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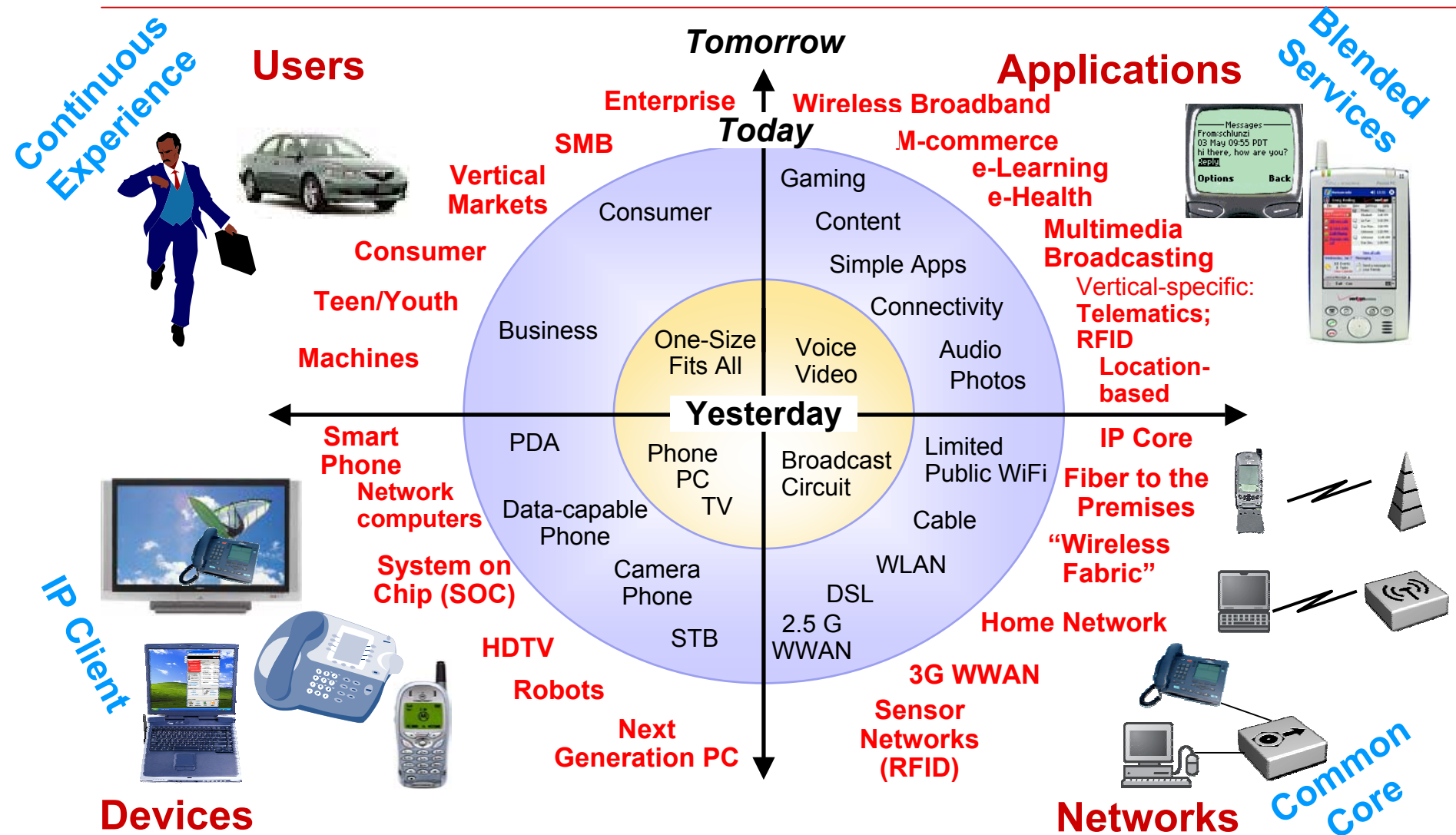
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Global Market Trends:

Toward Ubiquitous Lifestyle Communication Experience



**Schematic represented here is a modified version of a slide created by the Yankee Group

Market Trends: Providers Compete to Deliver Seamless End-User Experience



'Triple Play' Services:

Sky acquires EasyNet for £211m



Peer-to-Peer Networking: Purchased by eBay for \$2.6B

"IPdrum Mobile Skype Cable now launched globally"

53M subscribers today, adding 150K more per day.



Personalization: Market Cap \$120B

"Google Button on Motorola Phone"

Google generated \$3.8B in ad revenue last year.

Ad revenue per visitor: \$43.18



Online Marketplace: Market Cap \$52B

eBay today has 157M active members



Consumer Content:

Monthly Unique Visitors: 119M

Ad revenue \$1.14B last year

Ad revenue per visitor: \$9.58

Making the Traditional Network a "Dumb Pipe"

Future Competitive Landscape

- Three main business models for providers

- Connections, Content, Advertising

- Emerging Service Providers

- Expand from core competency (search, IM, content, etc.) to capture additional subscribers
- Rapidly roll out many new services and monetize larger subscriber base
- Segment subscribers, based on preferences, to enhance monetization
- Continued use of “free” access
- Leveraging success in wireline services to move into wireless

- Traditional Providers

- Attractive (to content providers and advertisers) and growing subscriber base
- Mobility and Location capabilities further personalize and target user base
- Ownership of enterprise market
- Increasing speed of deployment for new services

Expand on Core Competency

Rapid Service Delivery

Further Segment User Preferences to Monetize

Parasite on Networks

Build Strength in Mobility

Content & Advertising

Personalization

Enterprise Strength

Speed to Deploy

Redefining the End User Experience

Enhanced Communication Experience*

- Rich Media Sessions and Mixed Media Messaging
- Improve end-user experience by combining multiple sessions, multimedia, and multiple devices in one application
- The ability to “know” when someone is actively available for communications will influence how and when to contact them

Ease of Use and Seamless Access*

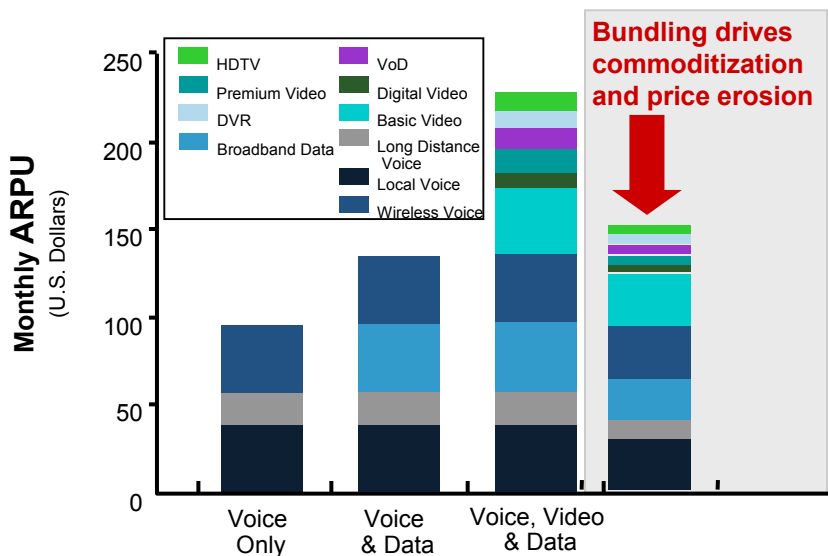
- Information sharing must be simple and secure
- Instantaneous, always available service access regardless of network or service provider
- Real time synchronization of contact updates / always available address book
- Single portal to launch services (click to launch)
- Discovering and using new services must be simple and intuitive



Lucent Primary Market Research: Mass Market, Converged Services, Active PhoneBook

The Real Opportunity: *Blended Services*, Not Just *Bundled Services*

Bundling alone will not create lasting incremental value.



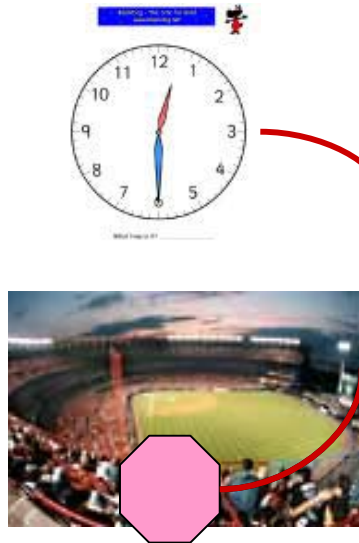
- Everyone is bundling to retain subscribers.
- Bundling simplifies billing - does not reduce other OpEx.

- Bundling *alone* will only shrink the customer's spending as *value* is eroded
- **Seamless blending of voice (wireline and wireless), data and video services required to realize full revenue potential**
- Providers with scale and wireline + wireless networks will have an advantage
- Providers with a strong convergence story/vision will flourish and dominate

Blended services = Increased revenues, customer loyalty

Source: Adapted from "Telcos Take on Cable with Video Delivery," The Yankee Group, February 2004, page 8.

Emergence of New Sources of Market Value: *Delivering Secure, Personalized Content*



2006 World Series

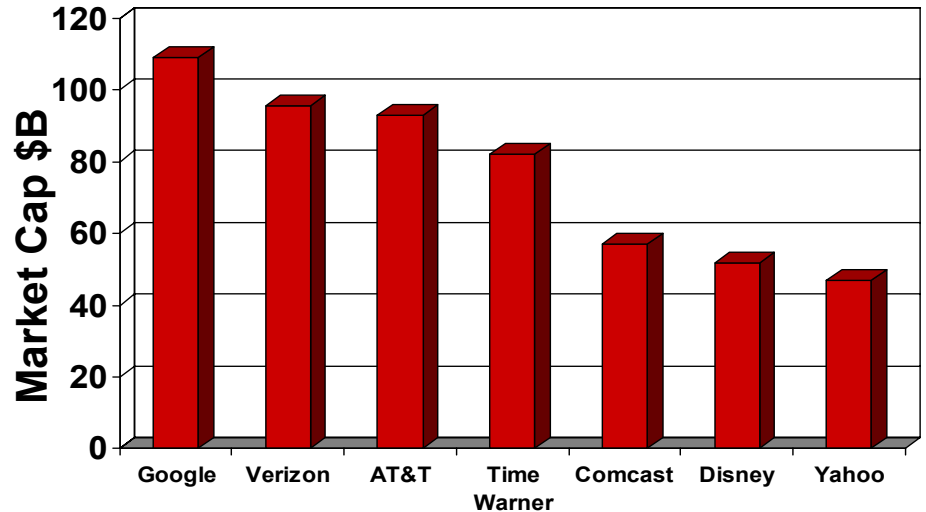


Preferences
Presence
Location



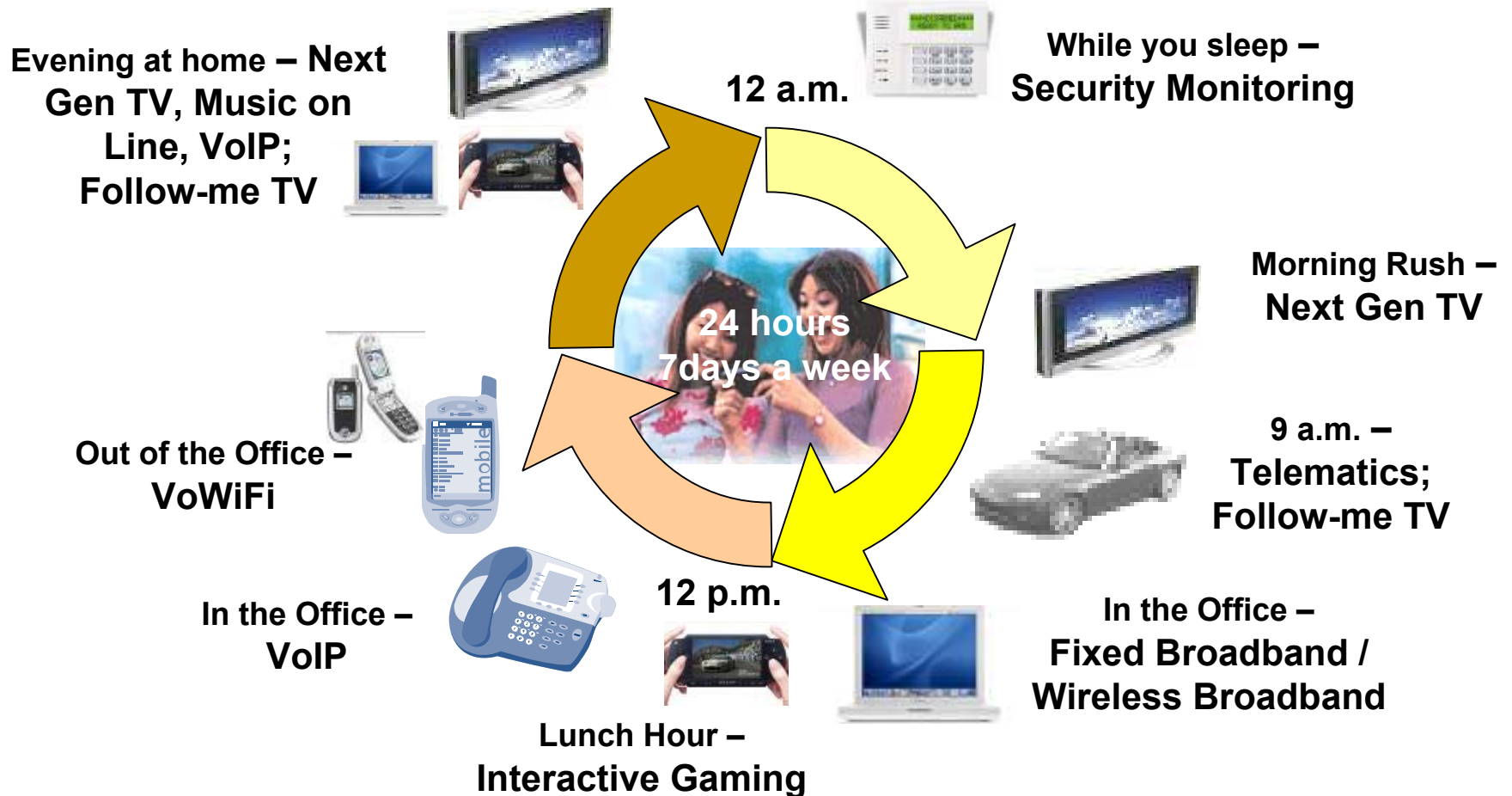
**Targeted,
context-sensitive
content**

**Relevant,
context-sensitive
content drives
market value**

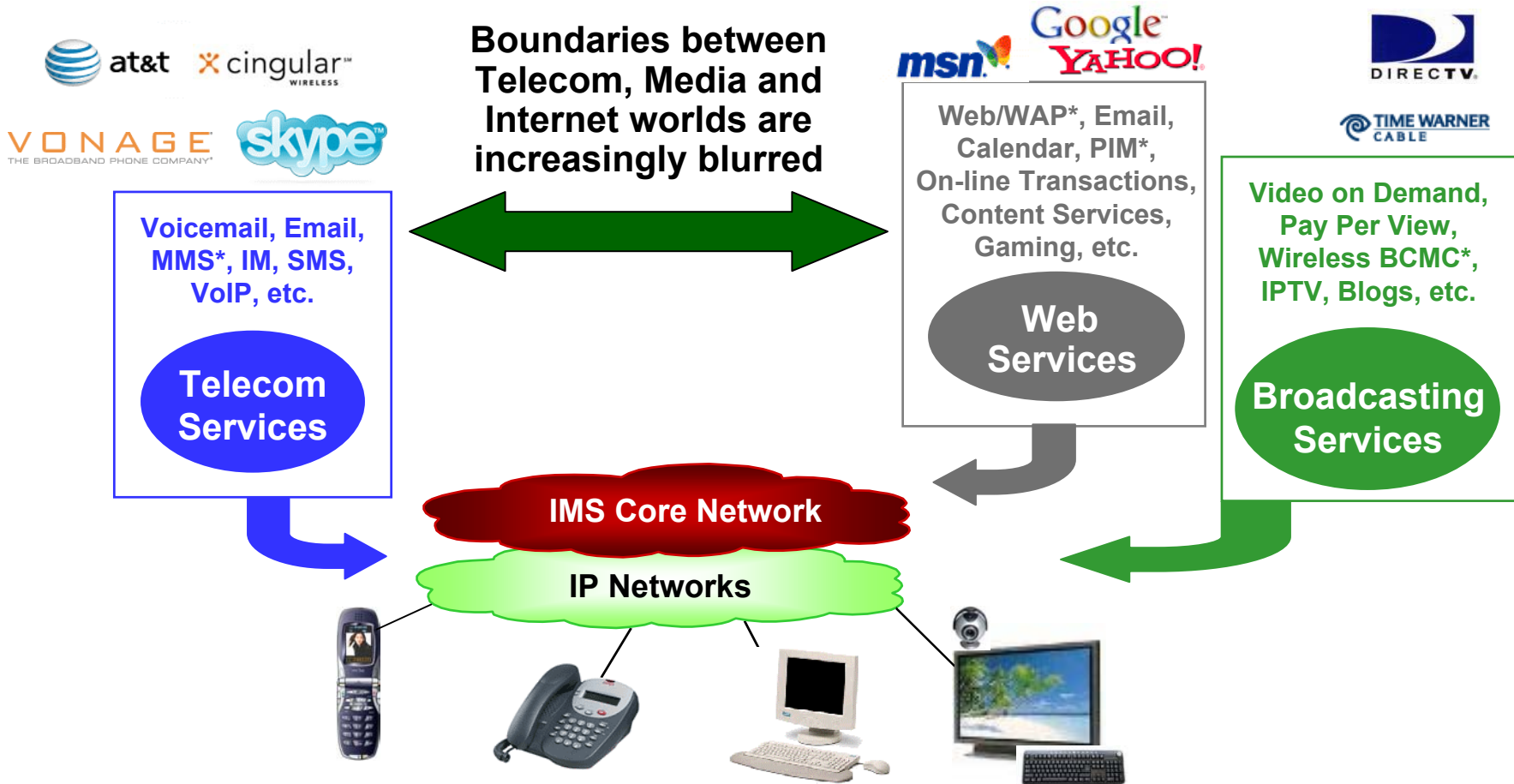


Value over IP™: Unlocking Opportunities

Capture 24 Hours of the End User's Day



Blending of Telecom, Internet and Media



IMS = Blending Services Across Multiple Delivery Platforms & Networks

* MMS = Multimedia Services
WAP = Wireless Access Protocol

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* PIM = Personal Information Management
BCMC = Broadcast Multicast

New Paradigm: *IP Multi-Media Subsystem (IMS)*

What is the *IP Multi-media Subsystem (IMS)*?

IP-based multimedia and telephony core network that enables two-way voice, data, and video across multiple access technologies and devices, at the high quality and reliability expected by an end-user today

Challenge

Opportunities Afforded by IMS

Revenue & Churn



- Increased ARPU (up to \$40-70 per user, per month in "Power Adult Segment")
- Service loyalty through business, family, friends, "community type" services

Time to Market



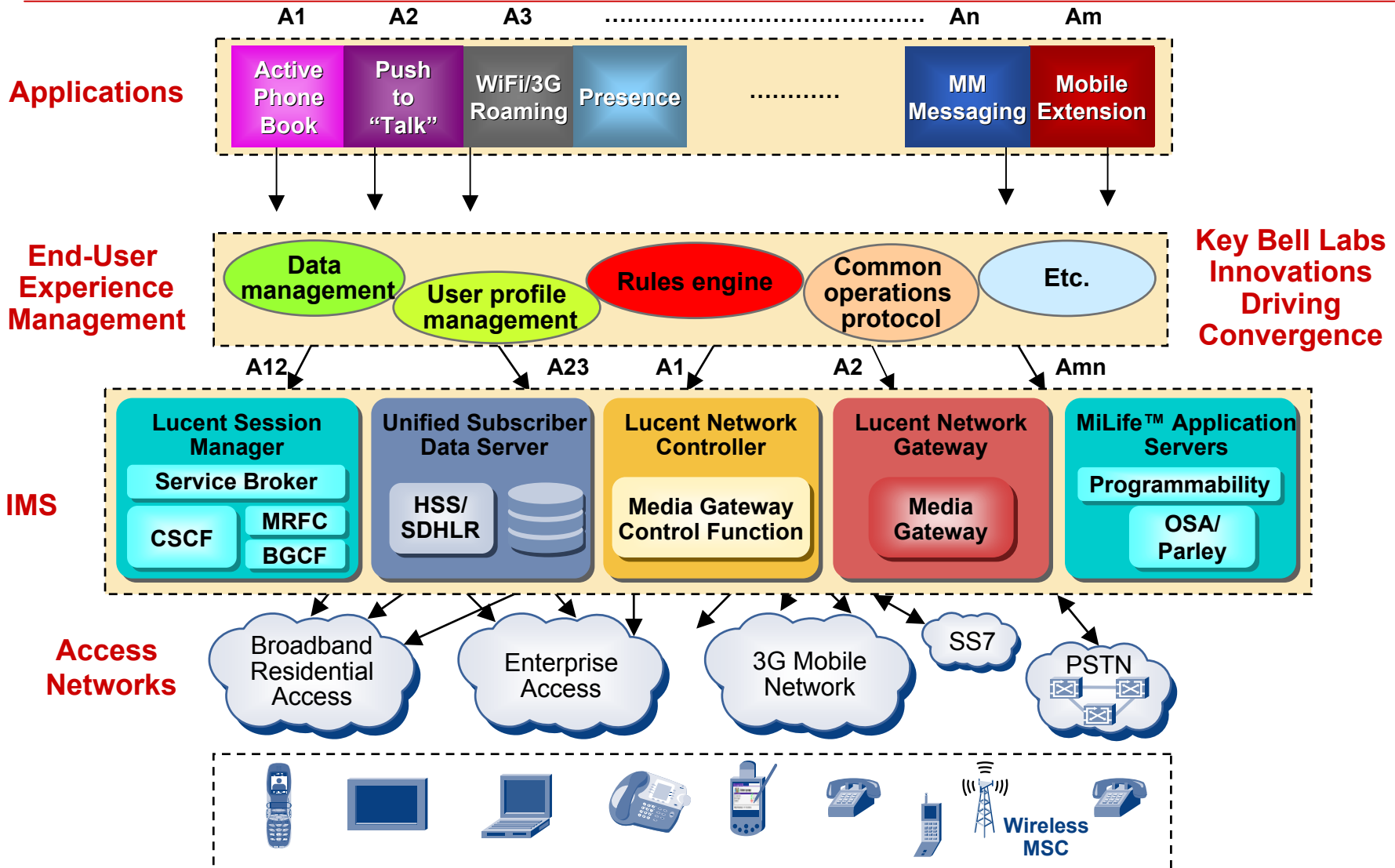
- 20% improvement after year one, largest gain in service creation and implementation

OpEx Savings

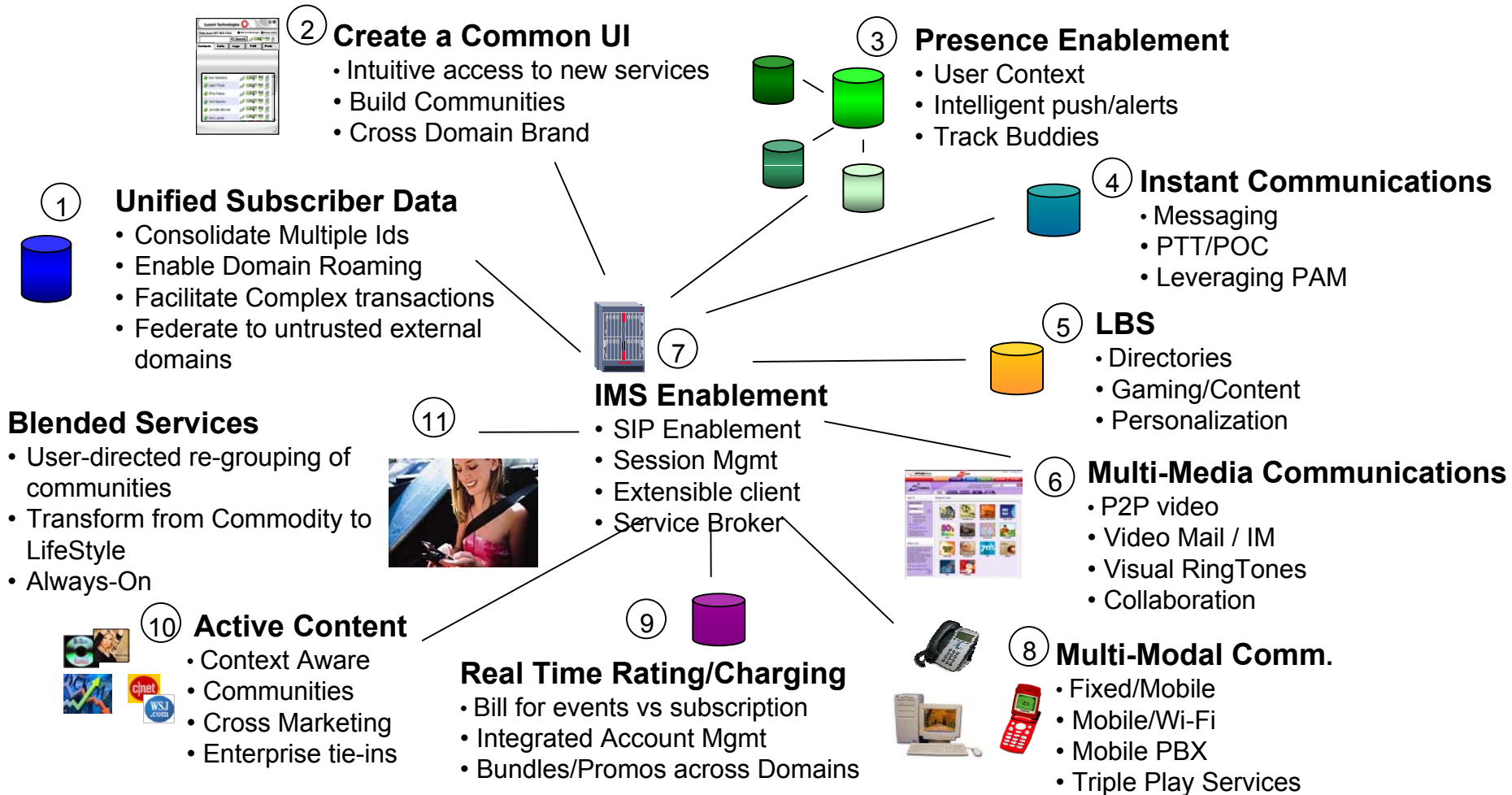


- OpEx improves by 20%-25% after year one, largest gain in customer management

Lucent's Enhanced IMS Architecture



Realizing Blended Services and IMS



Leveraging network assets enables the delivery of unique, personalized, blended services to the end user, through a common user interface

Operator's Challenge Managing Partners

Picture Mail, Information Services, Content Delivery, etc

Consumer Services

Fleet Management
Call Center
Dispatch, etc

Enterprise Services

Platinum Partner(s)

Non-Premier Partner(s)

Supporting Enterprises

Enhancing the productivity of the Enterprise with Always-On-Services, Presence and Location-based, Push-To-X and web-based services

Wireline / Wireless Access Management

Voice Services

Data Services

Competing Networks

- Roaming Agreements
- Launching/Activating services with unknown traffic volumes
- Competing services may traverse network (Skype)

Consumer Services

Keeping pace with the demand for new services including:
Video, Streaming, Web-based services, Push-To-X, Personalization, Preferences and Availability

Maintaining legacy solutions including Text Messaging, WAP and Voice Services

Supporting Partners

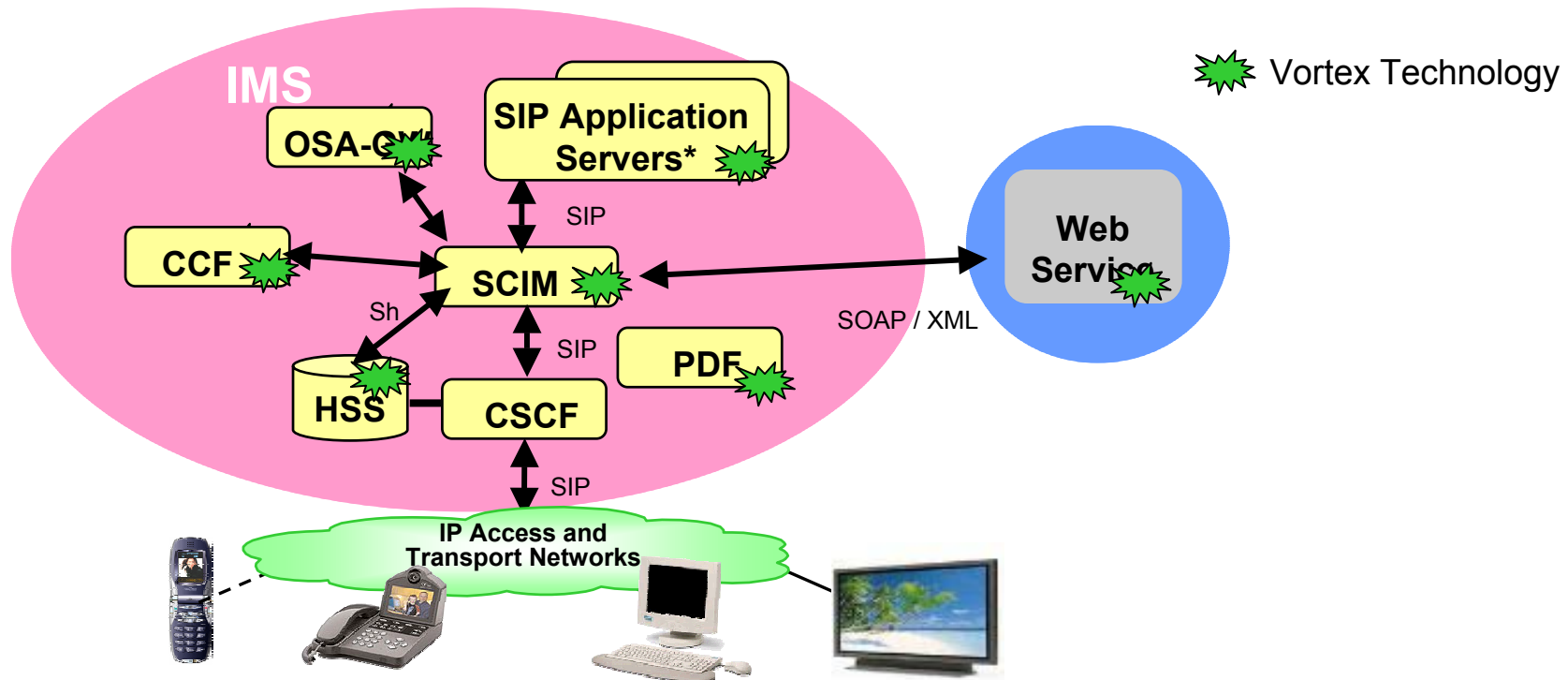
Possibly unique Business Level Agreements

- May launch unique requests for service to create high-volumes of service requests, application types, peak/valley traffic volumes
- Unique Applications
- Unique Volumes of Traffic and Types

Flexibility to support multi-tiered business partner agreements based on application service availability, traffic and bandwidth to capture deserved revenue

Unified Policy Management

Service Level Control of Network Resources



- Flexible, fine-grained management of network resources
 - Controlling quality of end-user experience
 - Efficient Use of network resources
 - Protection of network resources

Federated Data & Identity

Single Sign-on (SSO)

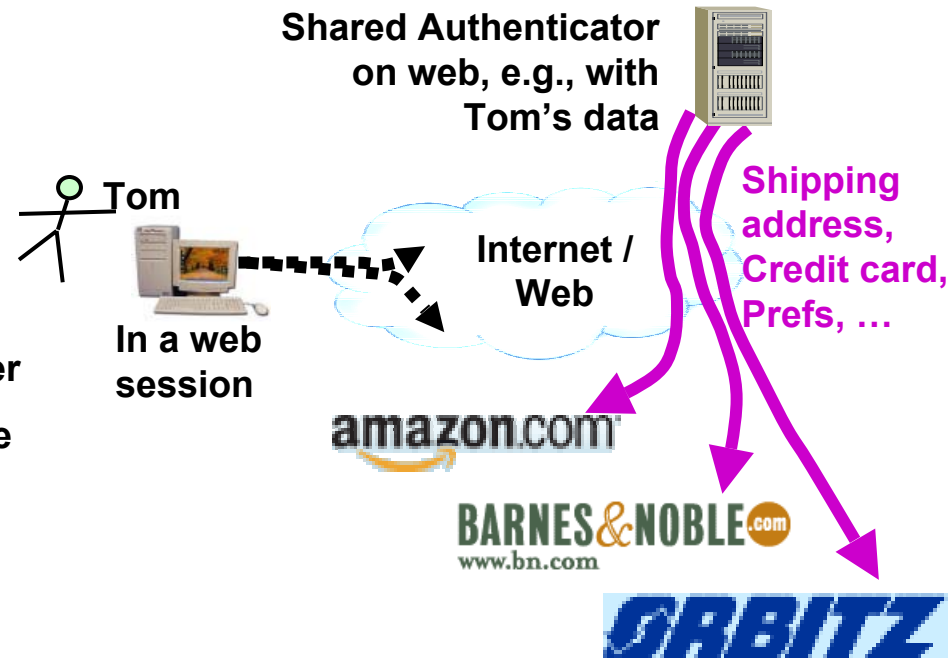
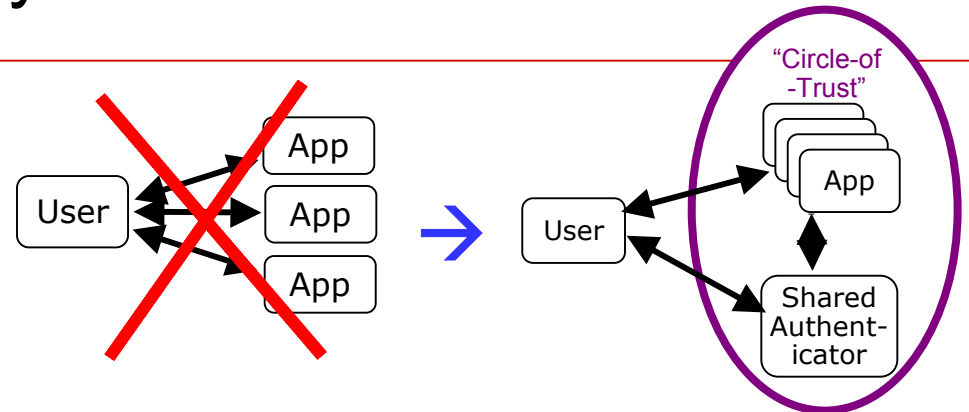
- User does single log-on
- Has access to many apps

Secure, Controlled Data Sharing

- Requester-targeted
- Privacy-conscious
- “Enter Once, Share Everywhere”

Value propositions

- End-User
 - Ease-of-use, convenience
- Network Operator
 - More opportunity to “own” the subscriber
 - Leverage trust, authentication and profile data
- Application Developer
 - Don’t need their own Id Mgmt soln



The richness of YOUR world is felt through Interactive Multimedia

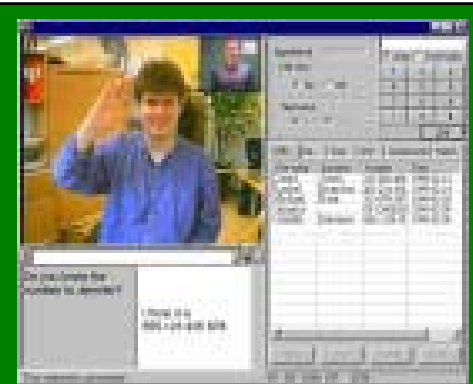
VoD/TVoD

- Scan global video library of 100k titles
- Point and click to select
- One click authentication and payment
- Start streaming title
- Content tailored for YOU e.g. BW, commercials
- Pause, FF, REW, REC on demand



Video Telephony

- Receive call during program
- Click to see caller
- Pause program to answer
- Choose video on/off
- Browse personal files pictures/web together
- Resume program



Click To Buy

- See item during program
- Point and click item
- Pause program and hyperlink to vendor
- One click authentication and purchase
- Resume program



Remote Monitoring

- Scan global video sources of 100k streams
- Point and click to select
- Content tailored for YOU e.g. BW, zoom, pan
- Two-way audio/video on demand for remote dialog/answering



Fully interactive multimedia services, tailored to your needs, on any device in your home, on demand

Push to... Socializing & Mobile Communities

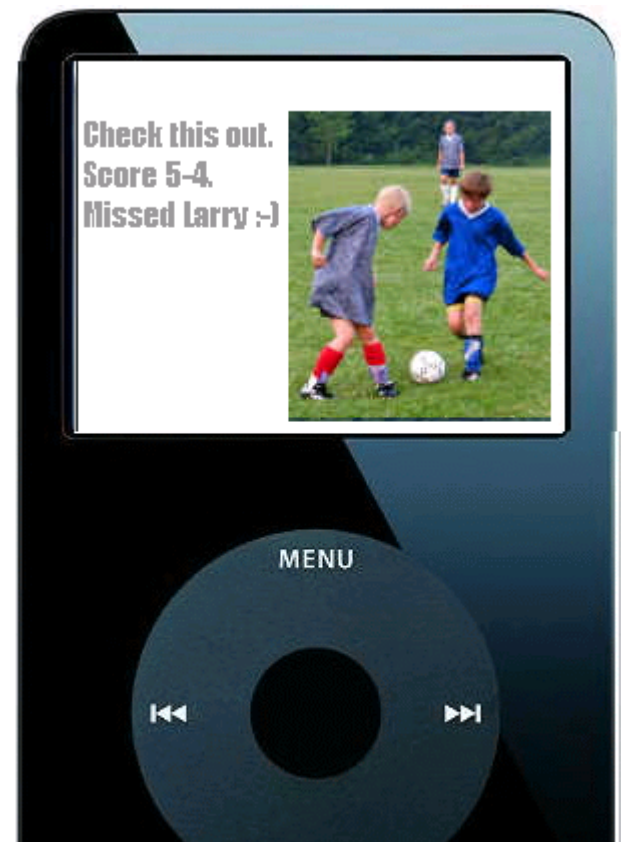
REAL TIME VIDEO BROADCAST



MOBILE BLOGGING



MOBILE PODCASTING



END USER CREATED CONTENT: share experiences with friends anywhere with the push of a button

Measuring Success

	Service Provider Goals	New Business Metric	
Traditional Competition	Launching IP-based Services	Number of net new users	 <p>“24/7 IP Prosumer”</p>
	Speed to Market with new services	Speed from concept, study to introduction	“3 Month or Less Intro Cycle”
	Alternate Revenue – Value-added “quad play” end-user services	Target revenue for value-added end-user services	 <p>“Get Fair Share or More”</p>
	Reduce Cost of Developing & launching new services	Reduce costs of successful and failed services	“Allow More Innovation: Cost of Failure is Minimal”
	Laser Focus on core competency (“engine”)	All new services have one theme built around core competency.	 <p>“Search” “Content” “Connections”</p>
	Link Control & Quality of the Network to a better end user experience	Willingness to pay premium for QoS and control	<p>“Deliver Quality of Experience”</p> 
Emerging Competition	Leveraging IP Base to move into new services	Number of converged services sold to “24/7 IP Prosumer”	<p>“Take Share “</p> 