2012 ADDITIONAL INFORMATION

Alcatel·Lucent

TABLE OF CONTENTS

Explanatory Note

The information contained in this document, together with that set forth in the 2012 Annual Report on Form 20-F (the "2012 20-F") filed with the U.S. Securities and Exchange Commission, both of which documents are in English, is equivalent to the information provided in French in the "Document de Référence" filed with the Autorité des Marchés Financiers on March 11, 2013 (1).

This document is a free translation from French into English of the information from the Document de Référence that is not included in the 2012 20-F. Should there be any difference between the French and the English versions, only the text in the French language shall be deemed authentic and considered as expressing the exact information published by Alcatel-Lucent.

---

(1) Except for certain financial information concerning the fourth quarter of 2012, which may be found in English on our website: www.alcatel-lucent.com, under the heading "Investor Relations" and then "Financial Data – February 7, 2013 Press release".

1 KEY FIGURES

1.1 INTRODUCTION

For purposes of this document, the term "Group" means the group comprised of Alcatel Lucent (hereafter "Alcatel-Lucent") after the combination of Alcatel (hereafter "historical Alcatel" or "Alcatel") and Lucent Technologies Inc. (hereafter "Lucent"), together with all their consolidated subsidiaries.

The expression "the Company" means either Alcatel when referring to a period ending on or prior to November 30, 2006, or Alcatel-Lucent when referring to a later period.

1.2 REPORTED RESULTS AND ADJUSTED RESULTS

Reported results: in accordance with regulatory reporting requirements, reported results for the years 2010, 2011 and 2012 include the non-cash impacts from Purchase Price Allocation ("PPA") entries following the business combination with Lucent.

Adjusted results: in addition to the reported results and in order to provide meaningful comparable information, Alcatel-Lucent is providing adjusted results that exclude the main non-cash impacts from PPA entries resulting from the Lucent business combination. These non-cash impacts are material to us and non-recurring due to the different amortization periods depending on the nature of the adjustments, as detailed in Note 3 to the consolidated financial statements included in our 2009 *document de référence*. Reported figures are not comparable with those of our main competitors and many other business players in our field of activity who have not undergone a similar business combination.

CONDENSED INCOME STATEMENT FOR 2012

(in millions of euros, except per share data)	**Adjusted**	**Reported**
Revenues	14,446	14,446
Operating income (loss) (1)	(260)	(490)
Restructuring costs	(490)	(490)
Litigations	2	2
Gain (loss) on disposal of consolidated entities	11	11
Post-retirement benefit plan amendments	204	204
Income (loss) from operating activities	(1,223)	(1,657)
Net income - group share	**(1,102)**	**(1,374)**
Diluted earnings per share *(in euros)*	(0.49)	(0,61)
Diluted earnings per ADS *(in U.S $)* (2)	(0.65)	(0,80)
Diluted number of shares *(in millions)*	2,268.1	2,268.1

(1) Operating income (loss) refers here to the income (loss) from operating activities before restructuring costs, impairment of assets, gain (loss) on disposal of consolidated entities, litigations and post-retirement benefit plan amendments.

(2) Earnings per ADS in U.S. $ have been calculated using the U.S. Federal Reserve Bank of New York noon Euro/U.S. dollar buying rate of U.S. $ 1.3186 as of December 31, 2012.

CONDENSED ADJUSTED INCOME STATEMENT FOR 2012 AND 2011

(in millions of euros, except per share data)	**2012**	**2011**
Revenues	14,446	15,327
Operating income (loss) (1)	(260)	519
Restructuring costs	(490)	(203)
Impairment of assets	(690)	-
Litigations	2	4
Gain (loss) on disposal of consolidated shares	11	(2)
Post-retirement benefit plan amendment	204	67
Income (loss) from operating activities	(1,223)	385
Net income - group share	**(1,102)**	**1,259**
Diluted earnings per share *(in euros)*	(0.49)	0.48
Diluted earnings per ADS *(in U.S.$)* (2)	(0.65)	0.62
Diluted number of shares *(in millions)*	2,268.1	2,865.9

(1) Operating income (loss) refers here to the income (loss) from operating activities before restructuring costs, impairment of assets, gain (loss) on disposal of consolidated entities, litigations and post-retirement benefit plan amendments.

(2) Earnings per ADS in U.S. $ have been calculated using the U.S. Federal Reserve Bank of New York noon Euro/U.S. dollar buying rate of U.S. $ 1.3186 as of December 31, 2012 and of .U.S. $ 1.2973 as of December 31, 2011.

ADJUSTED CONSOLIDATED INCOME STATEMENT—2012

In Euro million except for EPS	Q1-2012			Q2-2012			Q3-2012			Q4-2012			2012		
(unaudited)	As reported	PPA	Adjusted	As reported	PPA	Adjusted	As reported	PPA	Adjusted	As reported	PPA	Adjusted	As reported	PPA	Adjusted
Revenues	**3,206**		**3,206**	**3,545**		**3,545**	**3,599**		**3,599**	**4,096**		**4,096**	**14,446**		**14,446**
Cost of sales [(a)]	(2,235)		(2,235)	(2,420)		(2,420)	(2,595)		(2,595)	(2,849)		(2,849)	(10,099)		(10,099)
Gross Profit	**971**	**0**	**971**	**1,125**	**0**	**1,125**	**1,004**	**0**	**1,004**	**1,247**	**0**	**1,247**	**4,347**	**0**	**4,347**
Administrative and selling expenses [(b)]	(634)	29	(605)	(610)	30	(580)	(574)	31	(543)	(575)	28	(547)	(2,393)	118	(2,275)
Research and Development costs [(c)]	(626)	39	(587)	(601)	25	(576)	(611)	25	(586)	(606)	23	(583)	(2,444)	112	(2,332)
Operating income (loss) [(1)]	**(289)**	**68**	**(221)**	**(86)**	**55**	**(31)**	**(181)**	**56**	**(125)**	**66**	**51**	**117**	**(490)**	**230**	**(260)**
Restructuring costs	(75)		(75)	(107)	0	(107)	(61)		(61)	(247)		(247)	(490)		(490)
Impairment of assets	0		0	0	0	0	0		0	(894)	204	(690)	(894)	204	(690)
Post-retirement benefit plan amendment	0		0	30	0	30	5		5	169		169	204		204
Litigations	1		1	0	0	0	1		1	0			2		2
Gain/(los) on disposal of consolidated entities	0		0	0	0	0	0		0	11		11	11		11
Income (loss) from operating activities	**(363)**	**68**	**(295)**	**(163)**	**55**	**(108)**	**(236)**	**56**	**(180)**	**(895)**	**255**	**(640)**	**(1,657)**	**434**	**(1,223)**
Financial result (net)	42	0	42	(142)	0	(142)	71	0	71	97	0	97	68	0	68
Share in net income(losses) of equity affiliates	0		0	1	0	1	(1)		(1)	2		2	2		2
Income tax benefit (expense) [(d)]	58	(26)	32	55	(22)	33	(2)	(22)	(24)	(641)	(92)	(733)	(530)	(162)	(692)
Income (loss) from continuing operations	**(263)**	**42**	**(221)**	**(249)**	**33**	**(216)**	**(168)**	**34**	**(134)**	**(1,437)**	**163**	**(1,274)**	**(2,117)**	**272**	**(1,845)**
Income (loss) from discontinued activities	659		659	(10)	0	(10)	12		12	5		5	666		666
Net Income (loss)	**396**	**42**	**438**	**(259)**	**33**	**(226)**	**(156)**	**34**	**(122)**	**(1,432)**	**163**	**(1,269)**	**(1,451)**	**272**	**(1,179)**
of which : Equity owners of the parent	**398**	**42**	**440**	**(254)**	**33**	**(221)**	**(146)**	**34**	**(112)**	**(1,372)**	**163**	**(1,209)**	**(1,374)**	**272**	**(1,102)**
Non-controlling interests	*(2)*		*(2)*	*(5)*	*0*	*(5)*	*(10)*		*(10)*	*(60)*	*0*	*(60)*	*(77)*		*(77)*
Earnings per share : basic	0.18		0.19	(0.11)		(0.10)	(0.06)		(0.05)	(0.60)		(0.53)	(0.61)		(0.49)
Earnings per share : diluted	0.14		0.16	(0.11)		(0.10)	(0.06)		(0.05)	(0.60)		(0.53)	(0.61)		(0.49)

(1) Income (loss) from operating activities before restructuring costs, impairment of assets, gain / (loss) on disposal of consolidated entities, litigations and post-retirement benefit plan amendment

Corresponds to the measure of operating income (loss) of the segments (refer to note 5 of the consolidated financial statements at December 31, 2012).

PPA : Purchase Price Allocation entries related to Lucent business combination

Nature of PPA - non cash amortization charges included in Reported Accounts but excluded from Adjusted Accounts (cf. Note 5 to our Consolidated Financial Statements as of December 31, 2012)

These impacts are non recurring due to the different amortization periods depending of the nature of the adjustments, as indicated hereafter.

(a) Depreciation of the reevaluation to fair value of productive tangible assets

(b) Amortization of intangibles assets - long term customer relationship (5-8 years)

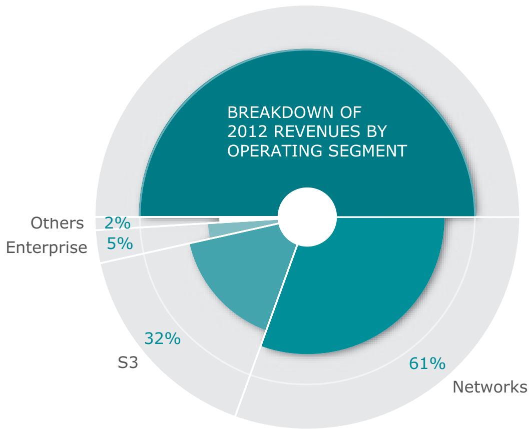
(c) Amortization of intangibles assets : Acquired technologies (5-10 years) and In Process R&D (5-7 years)

(d) Normative tax impact at 39% on above PPA adjustments excluding goodwill impairment

Please note that the discussions below exclude the results of our Genesys business, which was sold to Permira on February 1, 2012.

1.3 BREAKDOWN OF 2012 REVENUES BY OPERATING SEGMENT

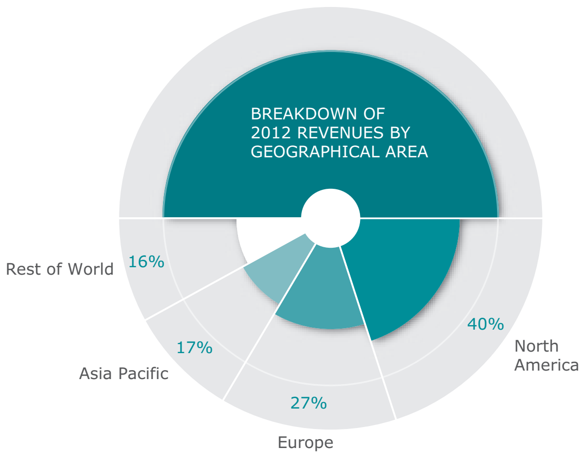
The operations of the Group were organized in three operating segments in 2012 – Networks, S3 (Software, Services and Solutions) and Enterprise. The main goal of the Networks segment is to meet the needs of telecommunications service providers. The Networks segment accounts for 61% of revenues (€8.8 billion). The S3 segment accounts for 32% of revenues (€4.6 billion) and includes both our Services and Network Applications businesses. Lastly, the Enterprise segment provides voice telephone and data networking products to enterprises and accounts for 5% of revenues (€0.8 billion).



Alcatel-Lucent had adjusted revenues of €14.4 billion in 2012.

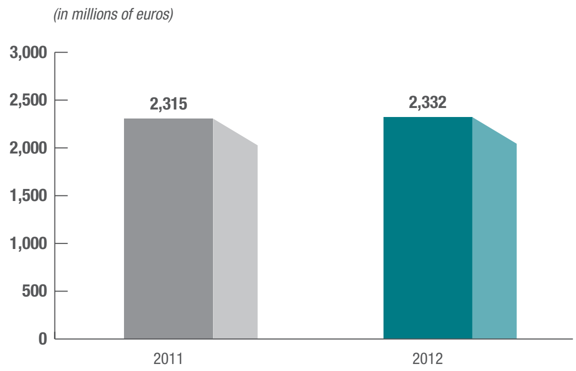
1.4 BREAKDOWN OF 2012 REVENUES BY GEOGRAPHICAL AREA

Revenues of the Group are fairly evenly distributed geographically between North America, Europe, and Asia Pacific and the rest of the world. North America and Rest of World grew as a percent of total revenues in 2012, while Asia Pacific was flat and Europe declined. This balanced geographical presence can limit the Group's exposure to the investment cycles of its service provider clients in a particular area, unless those cycles are synchronized across all regions.



1.5 CHANGE IN R&D EXPENSES

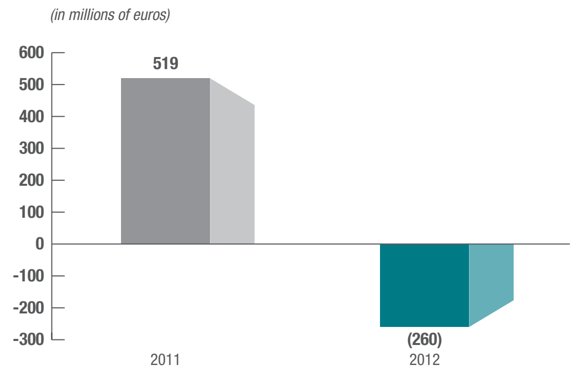
In 2012, reported R&D expenses were €2.4 billion after a net impact of capitalization of €(12) million of development expenses. Adjusted* R&D expenses were €2.3 billion, or 16.1% of the Group's revenue (after capitalization of development expenses and excluding €112 million of amortization of acquired technologies and in-process R&D valued at fair value at the date of the Lucent business combination), an increase of 0.7% from €2.3 billion, or 15.1% of revenue in 2011. The slight increase in R&D expenses reflects a reduction in spending on legacy technologies in an effort to reduce overall costs, partially offset by spending on new product development across our portfolio. A majority of our R&D expenses were used to support our High Leverage Network™ portfolio, which includes, but is not limited to, LTE and lightRadio™ within our wireless division, the new 7950 XRS Core router within our IP division, our 400 Gbps Photonic Service Engine (PSE) within our Optics division and VDSL2 vectoring & bonding within our wireline division.



* Excluding the impacts of the PPA entries in connection with the Lucent business combination.

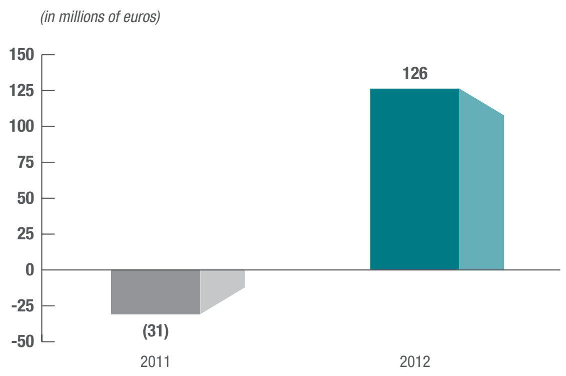
1.6 ADJUSTED OPERATING INCOME (LOSS)

Adjusted operating income, that is the income (loss) from operating activities before restructuring costs, gain (loss) on disposal of consolidated entities, impairment of assets, litigations and post-retirement benefit plan amendments, and excluding the negative non-cash impacts of the PPA entries in connection with the Lucent business combination, decreased from €519 million or 3.4% of revenue in 2011 to €(260) million or -1.8% of revenue in 2012. This decrease reflects the impact of unfavorable shifts in product and geographic mix partially offset by the reduction of fixed operations costs.



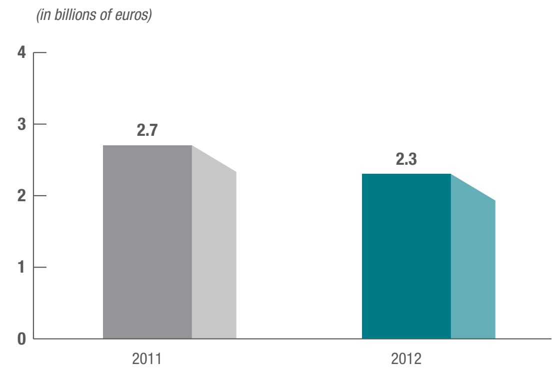
1.7 CHANGE IN NET (DEBT) / CASH POSITION

On December 31, 2012, the Group had a net cash position of €126 million, which is an increase of €157 million compared to the net debt position of €(31) million at the end of 2011. The increase in our net cash position was primarily due to positive operating cash flow as well as the proceeds from our sale of Genesys to Permira on February 1, 2012. These were partially offset by capital expenditures, restructuring outlays, cash contributions to pension and other post-employment benefit plans, interest payments and tax payments.



1.8 CHANGE IN MARKET CAPITALIZATION

Market trends in 2012, such as the economic downturn in Europe, capital expenditure delays in China and the rapid shift from 3G to 4G technologies in the US led to a lower-than-expected financial performance in the first half of 2012. These trends caused us to revise our 2012 guidance for adjusted operating income as a percentage of sales and launch our Performance Program, which aims to reduce our costs by €1.25 billion by the end of 2013. Our stock declined over 30% year-to-date through our second quarter earnings, with some, but not all, of our competitors experiencing declines for the same period. In the second half, our stock price witnessed some recovery driven by positive signs of cost savings through the Performance Program and the 2013 senior secured credit facilities.



2 PARENT COMPANY STATUTORY ACCOUNTS

2.1 ACTIVITIES OF THE PARENT COMPANY

Alcatel-Lucent, the Group's parent company, has no operating activity. It is the direct and indirect holding company for all Group companies.

Its principal missions are as follows:

- centralized treasury management and granting of guarantees to subsidiaries in respect of certain bank borrowings and operating contracts;
- clearing entity of the new research and development and intellectual property costs recharges mechanism;
- management of the French tax group.

2.2 STATUTORY ACCOUNTS OF ALCATEL-LUCENT SA AS OF DECEMBER 31, 2012

KEY FIGURES

The financial statements for the year ended December 31, 2012 show net loss of 2,894.7 million euros compared to 1,316.1 million euros net loss the previous year.

APPROPRIATION OF NET INCOME AND DIVIDEND DISTRIBUTION

The 2012 net loss of Alcatel-Lucent, the parent company, totaled €.2,894,685,915.00.

No dividend will be proposed to the Annual Shareholders' Meeting approving the 2012 accounts.

The following appropriation will therefore be proposed at the Annual Shareholders' Meeting approving the 2012 accounts:

Available for distribution	*(in euros)*
Income (loss) of the year	(2,894,685,915.00)
Retained earnings brought forward	(12,211,795,156.36)
Total	**(15,106,481,071.36)**
Appropriation	
Transfer to legal reserve	-
Proposed dividend	-
Retained earnings	(15,106,481,071.36)
Total	**(15,106,481,071.36)**

In accordance with French legal requirements, dividends per share for the past three years are detailed in the following table:

	2012 (proposed)	**2011**	**2010**	**2009**
Number of shares eligible for dividends	2,326,563,826	2,325,383,328	2,318,385,548	2,318,060,818
Par value	2.00	2.00	2.00	2.00
Net dividend per share	-	-	-	-

PARENT COMPANY INCOME STATEMENTS

(in millions of euros)	Notes	2012	2011	2010
Net sales		354.9	340.8	964.8
Other revenues		12.0	14.9	33.1
Operating revenues		**366.9**	**355.7**	**997.9**
Purchases of services and other expenses		(389.9)	(352.4)	(1,020.0)
Taxes and similar payments, excluding income tax		(1.9)	(1.5)	(6.4)
Payroll costs		(5.9)	(8.9)	(7.8)
Operating expenses		**(397.7)**	**(362.8)**	**(1,034.2)**
Operating income (loss)	**(3)**	**(30.8)**	**(7.1)**	**(36.3)**
Revenues from investments in subsidiaries and associates	(4)	69.7	59,0	19.5
Interest income and similar revenues		258.8	431,9	688.8
Interest expense and similar expenses		(215.6)	(263.6)	(474.1)
Merger loss		-	(2,669.3)	-
Net change in financial provisions and amortization of bond premiums	(3)	(2,988.4)	1,112.9	1,285.0
Other financial income (loss)		(6.4)	11.9	(5.2)
Financial income (loss)	**(3)**	**(2,881.9)**	**(1,317.2)**	**1,514.0**
Income (loss) before non-recurring items and income tax	**(3)**	**(2,912.7)**	**(1,324.3)**	**1,477.7**
Non-recurring revenues [1]		-	2.7	378.4
Non-recurring expenses [2]		(10.1)	(35.7)	(372.1)
Non-recurring income (loss)	**(3)**	**(10.1)**	**(33.0)**	**6.3**
Income tax	(3)/(5)	28.1	41.2	13.1
Net income (loss) after tax		**(2,894.7)**	**(1,316.1)**	**1,497.1**

PARENT COMPANY BALANCE SHEETS AT DECEMBER 31

(in millions of euros)	Notes		2012		2011	2010
ASSETS		**Gross value**	**Depreciation**	**Net value**	**Net value**	**Net value**
Intangible assets	**(7)**	**183.0**	**(166.4)**	**16.6**	**16.8**	**2.5**
Investments in subsidiaries and associates	**(8)**	39,450.20	(32,503.1)	6,947.1	9,943.6	3,772.5
Receivables from subsidiaries and associates	**(9)**	0.6	(0.6)	-	-	-
Other financial assets	**(9)**	7,551.2	(452.2)	7,099.0	5,520.5	12,551.3
Investments and other non-current assets		**47,002.0**	**(32,955.9)**	**14,046.1**	**15,464.1**	**16,323.8**
Total non-current assets		**47,185.0**	**(33,122.3)**	**14,062.7**	**15,480.9**	**16,326.3**
Accounts receivable and other current assets	**(15)**	950.1	(0.2)	949.9	2,039.6	3,090.9
Marketable securities	**(10)**	1,370.1	-	1,370.1	977.1	1,152.7
Cash	**(10)**	1,452.6	-	1,452.6	1,401.7	2,439.6
Total current assets		**3,772.8**	**(0.2)**	**3,772.6**	**4,418.4**	**6,683.2**
Prepayments and deferred charges		32.7		32.7	32.6	47.4
Total assets	**(6)**	**50,990.5**	**(33,122.5)**	**17,868.0**	**19,931.9**	**23,056.9**

(in millions of euros) **Liabilities and stockholders' equity**	**Notes**	**2012** **Before appropriation**	**After appropriation (1)**	**2011** **After appropriation**	**2010** **After appropriation**
Capital stock		4,653.1	4,653.1	4,650.7	4,636.8
Additional paid-in capital		15,411.5	15,411.5	15,413.9	15,411.7
Reserves		2,237.9	2,237.9	2,237.9	2,237.9
Retained earnings		(12,211.8)	(15,106.5)	(12,211.8)	(10,895.7)
Net income (loss) for the year		(2,894.7)	-	-	-
Shareholders' equity	**(12)**	**7,196.0**	**7,196.0**	**10,090.8**	**11,390.7**
Reserves for liabilities and charges	**(13)/(18)**	**94.2**	**94.2**	**110.1**	**1,304.1**
Bonds convertible into new or existing shares ("OCEANE")	**(14)/(15)**	1,000.0	1,000.0	1,000.0	1,818.2
Other bonds and notes issued	**(14/(15)**	962.0	962.0	1,062.0	1,162.0
Bank borrowings and overdrafts	**(15)**	-	-	0.9	1.9
Miscellaneous borrowings	**(15)**	639.3	639.3	645.7	670.4
Financial debt		**2,601.3**	**2,601.3**	**2,708.6**	**3,652.5**
Taxation and social security	**(15)**	10.8	10.8	13.5	20.2
Other liabilities	**(15)**	7,961.6	7,961.6	7,003.3	6,687.1
Liabilities		**7,972.4**	**7,972.4**	**7,016.8**	**6,707.3**
Currency translation adjustment		4.1	4.1	5.6	2.3
Total liabilities and shareholders' equity		**17,868.0**	**17,868.0**	**19.931.9**	**23,056.9**

(1) Proposed.

PARENT COMPANY STATEMENTS OF CHANGES IN FINANCIAL POSITION (AFTER PROPOSED APPROPRIATION OF THE 2012 NET INCOME)

(in millions of euros)	**2012**	**2011**	**2010**
Sources of funds			
Net income (loss)	(2,894.7)	(1,316.1)	1,497.1
Depreciation and amortization	0.1	0.2	1.0
Changes in valuation allowances and other reserves, net	2,990.4	3,688.9	(1,379.0)
Net (gain)/loss on disposal of non-current assets	0.1	32.7	4.3
Funds provided (used) by operations	**95.9**	**2,405.7**	**123.4**
Increase in capital stock	-	16.3	-
Increase in other bonds	-	-	700.0
Increase in long-term debt	-	-	-
Property, plant and equipment sold	-	-	-
Investments sold	-	28.8	1.2
Other sources of funds	-	-	0.3
Total sources	**95.9**	**2,450.8**	**824.9**
Application of funds			
Increase in property, plant, equipment and intangible assets	-	24.1	-
Increase in investments	4.0	11,080.2	25.6
Dividend payable	-	-	-
Conversion of bonds into shares	-	-	-
Other application of funds	1,686.2	(6,072.7)	3,513.6
Total application	**1,690.2**	**5,031.6**	**3,539.2**
Analysis of changes in working capital			
Accounts receivable and other current assets	(68.5)	170.9	43.8
Other liabilities	(79.2)	40.5	(37.9)
Cash and cash equivalents:			
• short-term financial debt	(1,890.5)	(1,561.9)	(983.3)
• cash	50.9	(1,054.7)	(860.7)
• marketable securities	393.0	(175.6)	(876.2)
Increase (decrease) in working capital	**(1,594.3)**	**(2,580.8)**	**(2,714.3)**

2.3 NOTES TO THE ANNUAL STATUTORY ACCOUNTS

NOTE 1 ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with French accounting rules and principles (as set forth in the French general chart of accounts (CRC-regulation 99-03). The following accounting principles are described below:

a/ Intangible assets

Intangible assets are recording at acquisition cost and mainly include intellectual property rights amortized over a straight-line basis over five years after acquisition. An impairment loss is recognized if the current value is less than the gross value.

b/ Financial assets

b1/ Investments in subsidiaries and associates:

Investments in subsidiaries and associates are recorded at acquisition cost, excluding incidental expenses, subject to any revaluation in accordance with French law.

When the carrying value of such investments is less than their gross value, a valuation allowance is set up for the difference.

Carrying values are based on:

- value in use of the investment, in respect of subsidiaries and associates held for the long-term. Value in use is determined case by case based on the recoverable value of the underlying assets, re-evaluation of net assets, estimated market values, and, for listed companies, the stock market value;
- estimated market value, in respect of associates that could be sold if market conditions proved favorable, and, in respect of listed companies, estimated market value based on the average stock market prices for the last month of the accounting period.

As required, when the carrying value of the investment is negative, in addition to the valuation allowance set up, other assets are depreciated and, if necessary, a general risk reserve is recorded.

b2/ Long-term receivables from investments:

These are long-term loans granted to companies held directly or indirectly by the company. They are recorded at their nominal value. They are distinguished from current accounts received or granted to subsidiaries, used for daily cash management. An impairment loss is recognized in the event of risk of non recovery.

b3/ Treasury stock

Alcatel-Lucent shares owned by the parent company do not fulfill any particular classification criteria and, therefore, are recorded as other financial assets in the balance sheet.

Their carrying value is calculated at year-end on the basis of the average stock market prices for the last month of the accounting period. If necessary, a valuation allowance is recorded.

c/ Marketable securities

Marketable securities are recorded at the lower of cost and net realizable value (either average market price for the last month of the period, or period-end sales value, or estimated market value).

d/ Foreign currency transactions

Foreign currency revenues and expenses are recorded at the equivalent euro value at the date of the transaction. Cash, short term financial assets and debts and related off balance sheet financial instruments denominated in foreign currency are translated at period-end rates of exchange. The resulting currency translation adjustments are shown in the income statement. A reserve for potential foreign exchange losses is set up for unrealized foreign exchange losses that are not offset by corresponding unrealized foreign exchange gains, unless related financial instruments are used that qualify as a hedge and are such that no significant loss will arise when they mature.

e/ Interest rate derivatives

Gains and losses on these contracts are calculated and recognized to match the recognition of revenues and expenses on the hedged debt;

f/ Accounting for liabilities

In accordance with the "Comité de Réglementation Comptable" CRC regulation n° 2000-06 dated December 7, 2000 on accounting for liabilities, Alcatel-Lucent records a liability only when it has a present obligation towards a third party and that it is probable or certain that the obligation will result in an outflow of resources without at least an offsetting equivalent inflow of resources. The obligation must exist at the period end in order for a provision to be recognized.

g/ Bonds issued

Bonds issued at a premium or with a reimbursement premium are recorded in liabilities for their total value, including the premiums. The contra-entry for such premiums is recorded in the balance sheet as an asset. The premiums are amortized on a straight-line basis over the life of the corresponding bonds. This amortization is accelerated in case of partial buy-backs of issued bonds.

The fees and expenses linked to the issuance of bonds are recorded in the income statement on a straight-line basis over the life of the corresponding bonds.

h/ Taxes

Alcatel-Lucent and its subsidiaries, held directly or indirectly more than 95%, form a tax group as defined in Article 223 A of the French General Tax Code. Each company belonging to this French tax group calculates its income tax charge on the basis of its own tax results for the year. Alcatel-Lucent, as parent company of the French tax group, takes into account its own results and the tax consolidation entries when determining the tax group's taxable result.

The income tax charge or income recorded in the income statement by Alcatel-Lucent consists of the following items:

- the difference between the y-1 income tax receivable owed by tax profitable subsidiaries (whose taxable income, including the offsetting of carry forward tax losses, has been determined on a stand-alone basis) and the payable booked against the Treasury with respect to the income tax due by the French tax group headed by Alcatel-Lucent for y-1;
- potential adjustments to prior years' tax charges;
- potential reserves for tax risks.

i/ Pensions

As from January 1, 2004, Alcatel-Lucent applies the "*Conseil national de la comptabilité*'s regulation no. 2003-R01 on pensions and other long-term benefits.

Actuarial gains and losses due to experience adjustments and effects of changes in actuarial assumptions existing at December 31, 2003 were transferred to shareholders' equity, as allowed by the "*Conseil national de la comptabilité*'s press release dated July 22, 2004.

Actuarial gains and losses computed between January 1, 2004 and December 31, 2006 were recorded using the "corridor" method. Consequently they were recorded as an adjustment to the pension reserve and they are amortized if they exceed a given amount. As from 2007, all actuarial gains and losses are recognized in the income statement relating to the financial year as incurred.

NOTE 2 2012 MAJOR EVENTS

No major events occurred in 2012 and Alcatel-Lucent continued its activities as parent company of the Group.

Except for:

(i) the negative evolution of the valuation of the portfolio (see Note 8-1);

NOTE 3 INCOME STATEMENT ANALYSIS

Net loss is analyzed below:

(in millions of euros)	2012	2011
Operating revenues	366.9	355.7
Operating expenses	(397.7)	(362.8)
Operating income (loss)	**(30.8)**	**(7.1)**
Financial income (loss)	(2,881.9)	(1,317.2)
Income (loss) before non-recurring items and income tax	**(2,912.7)**	**(1,324.3)**
Non-recurring items	(10.1)	(33.0)
Income tax	28.1	41.2
Net income (loss) after tax	**(2,894.7)**	**(1,316.1)**

Operating activities

In 2012, operating activities resulted in a loss of €30.8 million, as compared to a loss of €7.1 million in 2011.

Slight increase in net sales of 4.1%.

Increase in operating expenses of €34.9 million mainly comprised €12,7 million increase in pension benefit obligation.

Financial income/(loss)

Financial loss of €2,981.9 million is booked in 2012 to a loss of €1,317.2 million in 2011.

Net change in financial reserves and depreciation

The net change in financial reserves and depreciation resulted in a loss of €2,988.4 million in 2012 compared to a profit of €1,112.9 million in 2011:

		2012			2011		
(in millions of euros)		Increase	(Write-back)	Net movement	Increase	(Write-back)	Net movement
Depreciation of investments in subsidiaries and associates	(Note 8)	3,165.6	(165.1)	(3,000.5)	2,702.2	(24.2)	(2,678.0)
Depreciation of other financial investments and other financial assets	(Note 9)	6.8	(0.1)	6.7	25.8	-	25.8
Depreciation of marketable securities		-	-	-	-	-	-
Reserves for financial risks			**(18.8)**	**(18.8)**	**18.7**	**(3,835.4)**	**(3,816.7)**
Depreciation other current assets	(Note 15)	-	(1.0)	(1.0)	1.0	-	1.0
Depreciation L.T.loans	(Note 9)	-	-	-	-	(1,500.0)	(1,500.0)
Risk relating to subsidiaries	(Note 13)	-	-	-	-	(2,335.4)	(2,335.4)
Interest rate risk & Others	(Note 13)	-	(17.8)	(17.8)	17.7	-	17.7
Amortization of premiums on bonds		-	-	-	-	-	-
Total		**3,172.4**	**(184.0)**	**(2,988.4)**	**2,746.7**	**(3,859.6)**	**(1,112.9)**

Depreciation of investments in subsidiaries

The 2012 net loss is booked after a reviewing calculation of the inventory values of each investment. The commentary on the valuation exercise is given on Note 8-2.

Depreciation of other financial investments

The €6.8 million depreciation of other financial investments relates to treasury stock, recorded at December average stock market prices.

Depreciation of marketable securities

No movement was recorded in 2012.

Reserves for financial risks

Release of €17.7 million relates to the hedging of Genesys share transfer (see Note 13).

Dividends

Dividends received from subsidiaries increase from €59.0 million in 2011 to €69.7 million in 2012 (see Note 4).

Financial interest

Net financial income are shrinking from €168.0 million in 2011 to €43.2 million in 2012 due to the fall in market rates .

Non-recurring items

Non-recurring items resulted in a net loss of €10.1 million in 2012 mainly due to the sale of participating interest.

Income tax

Income tax represented a net benefit of €28.1 million of which: an income tax benefit of €19.4 million generated by the French tax group in 2012, a research credit tax of €9.8 million (see Note 5).

NOTE 4 REVENUES FROM INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(in millions of euros)	**2012**	**2011**
Subsidiaries		
Electro Banque	12.7	9.0
Alcatel-Lucent Submarine Networks	50.0	50.0
Electro Ré	7.0	-
Associates	-	-
Total	**69.7**	**59.0**

NOTE 5 INCOME TAX

French tax group

18 French subsidiaries belonged to the French tax group (*"intégration fiscale"*) in 2012 (22 in 2011). The main subsidiaries belonging to the French tax group are indicated in the investment portfolio at December 31, 2012 (see Note 23).

Tax benefit (charge) breakdown

The tax benefit is analyzed as follows:

	2012		**2011**	
(in millions of euros)	**Pre-tax amount**	**Tax benefit (charge)**	**Pre-tax amount**	**Tax benefit (charge)**
Operating income (loss)	(30.8)	9.8	(7.1)	9.9
Financial income (loss)	(2,881.9)	-	(1,317.2)	-
Income (loss) before non-recurring items and income tax	**(2,912.7)**	**9.8**	**(1,324.3)**	**9.9**
Non-recurring items	(10.1)	(1.1)	(33.0)	-
French tax Group	-	19.4	-	31.3
Total tax benefit (charge)	28.1	28.1	41.2	41.2
Net income (loss) after tax	**(2,894.7)**	**-**	**(1,316.1)**	**-**

Note: non tax-deductible expenses defined in Article 39.4 of the French General Tax Code amounted to €0.035 million in 2012 for tax expenses of €0.01million.

NOTE 6 BALANCE SHEET

Total assets decreased to €17,868.0 million after the valuation of investments in subsidiaries.

NOTE 7 INTANGIBLE ASSETS

	Gross value			
(in millions of euros)	**12/31/2011**	**Increases**	**Decreases**	**12/31/2012**
Goodwill	39.5	-	-	39.5
Patents, trademarks, intellectual property rights	143.5	-	-	143.5
Intangible assets	**183.0**	**-**	**-**	**183.0**

	Amortization and depreciation			
(in millions of euros)	**12/31/2011**	**Increases**	**Decreases**	**12/31/2012**
Goodwill	(25.0)	(0.2)	-	(25.2)
Patents, trademarks, intellectual property rights	(141.2)	-	-	(141.2)
Intangible assets	**(166.2)**	**(0.2)**	**-**	**(166.4)**

	Net value			
(in millions of euros)	**12/31/2011**	**Increases**	**Decreases**	**12/31/2012**
Goodwill	14.5	(0.2)	-	14.3
Patents, trademarks, intellectual property rights	2.3	-	-	2.3
Intangible assets	**16.8**	**(0.2)**	**-**	**16.6**

NOTE 8 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	Gross value			
(in millions of euros)	**12/31/2011**	**Increases**	**Decreases**	**12/31/2012**
Subsidiaries	39,078.9	4.0	(10.3)	39,072.6
Associates	367.3	-	10.3	377.6
Total	**39,446.2**	**4.0**	**-**	**39,450.2**

	Depreciation			
(in millions of euros)	**12/31/2011**	**Increases**	**Decreases**	**12/31/2012**
Subsidiaries	(29,137.1)	(3,165.6)	168.8	(32,133.9)
Associates	(365.5)	-	(3.7)	(369.2)
Total	**(26,502.6)**	**(3,165.6)**	**165.1**	**(32,503.1)**

	Net value			
(in millions of euros)	**12/31/2011**	**Increases**	**Decreases**	**12/31/2012**
Subsidiaries	9,941.8	(3,161.6)	158.5	6,938.7
Associates	1.8	-	6.6	8.4
Total	**9,943.6**	**(3,161.6)**	**165.1**	**6,947.1**

Gross value

The changes in gross value of investments in subsidiaries and associates during the year result mainly from:

- €4.0 million subscription to a capital increase of Alcatel-Lucent Norway.

Reserves for depreciation

The changes in reserves for depreciation of investments in subsidiaries and associates during the year are mainly the following:

- increases in reserves for depreciation mainly relate to Alcatel-Lucent Participations (€3,152.3 million), to Alcatel Lucent Norway (€12.8 million). Release of depreciations relate to Alcatel-Lucent Submarine Networks (€98.9 million) and to Coralec (€66.2 million)

The reserves for depreciation related to Alcatel-Lucent Participations, Alcatel-Lucent Submarine Networks and Alcatel-Lucent Norway are based on the recoverable value of the Alcatel-Lucent Group, estimated on the basis of the enterprise values of the different business divisions. The approach consists in calculating for each business division a fair value excluding debt and taxes, based on discounted future cash flows for the period 2013 to 2017 and on a discounted terminal value in 2017. The discount rate used of 11.00% is based on the weighted average cost of the Group's capital. The sum of these recoverable values, adjusted for consolidated net cash and other balance sheet items, such as tax assets and liabilities, financial assets and other non-operating assets and liabilities, constitutes the fair value of the Group.

The enterprise value is then allocated between the participating interests held by Alcatel-Lucent Participations, and the other subsidiaries of which Alcatel-Lucent Submarine Networks. The value obtained for each entity is then compared to the historical book value of each investment and, where necessary, a reserve for depreciation is set up.

In the current global economic environment, the degree of volatility and subsequent lack of visibility is at a historically high as of December 31, 2012. Subsequent facts and circumstances could therefore lead to changes in the estimates used to determine the recoverable value of each business division and therefore the valuation of the investments portfolio.

NOTE 9 RECEIVABLES FROM SUBSIDIARIES AND ASSOCIATES AND OTHER FINANCIAL ASSETS

The changes during the year were as follows:

	Gross value			
(in millions of euros)	**12/31/2011**	**Increases**	**Decreases**	**12/31/2012**
Alcatel-Lucent shares held	471.9	-	(0.1)	471.8
Long-term loans to subsidiaries	5,493.2	1,585.3	-	7,078.5
Other financial assets	1.4	-	-	1.4
Total	**5,966.5**	**1,585.3**	**(0.1)**	**7,551.7**

	Depreciation			
(in millions of euros)	**12/31/2011**	**Increases**	**Decreases**	**12/31/2012**
Alcatel-Lucent shares held	(441.0)	(6.8)	0.1	(447.7)
Long-term loans to subsidiaries	(4.2)	-	-	(4.2)
Other financial assets	(0.8)	-	-	(0.8)
Total	**(446.0)**	**(6.8)**	**0.1**	**(452.7)**

	Net value			
(in millions of euros)	**12/31/2011**	**Increases**	**Decreases**	**12/31/2012**
Alcatel-Lucent shares held	30.9	(6.8)	-	24.1
Long-term loans to subsidiaries	5,489.0	1,585.3	-	7,074.3
Other financial assets	0.6	-	-	0.6
Total	**5,520.5**	**1,575.5**	**-**	**7,099.0**

9.1 LONG-TERM LOANS TO SUBSIDIARIES

Loans granted to Alcatel-Lucent Participations for €1,585.4 million during the financial year.

9.2 TREASURY STOCKS

There was no acquisition or disposal of treasury stocks in 2012. The market value of Alcatel-Lucent shares owned by the company amounted to €24.1 million, based on the average stock market prices for December 2012 (€30.9 million at December 31, 2011).

NOTE 10 MARKETABLE SECURITIES, CASH AND SHORT-TERM FINANCIAL DEBT

The net amounts of short-term financial assets and debts (including short-term advances to or from subsidiaries in the context of the Group's Treasury Convention, which appear in the balance sheet in "Accounts receivable and other current assets" or "Other liabilities") are as follows:

(in millions of euros)	**2012**	**2011**
Cash	1,452.6	1,401.7
Group's Treasury Convention with subsidiaries	810.1	1,765.1
Total cash and cash equivalents (1)	2,262.7	3,166.8
Marketable securities (2)	1,370.1	977.1
Short-term part of bonds	-	-
Total short-term financial assets	**3,632.8**	**4,143.9**
Short-term bonds	-	(100.0)
Short-term bank loans and overdrafts	-	(0.9)
Other short-term financial debt	(76.1)	(68.4)
Group's Treasury Convention with subsidiaries	(7,650.9)	(6,772.0)
Total short-term financial debt (3)	**(7,727.0)**	**(6,941.3)**
Total	**(4,094.3)**	**(2,797.4)**

(1) Including bank deposits and short-term advances to subsidiaries resulting from the Group's Treasury Convention.

(2) Including primarily euro denominated certificates of deposit, whose market value, after taking into account accrued interest, is not significantly different from book value.

(3) Including euro and non-euro denominated commercial paper, bank loans and overdrafts and short-term advances from subsidiaries resulting from the Group's Treasury Convention.

The change in Alcatel-Lucent's short-term financial assets and debts reflects a large volume of transactions undertaken by the parent company on behalf of its subsidiaries.

NOTE 11 MARKET-RELATED EXPOSURES

Currency risks and interest rate risks are analyzed below.

Currency risks

As of December 31, 2012, the off balance sheet financial instruments, held for hedging purposes, are summarized below:

	Purchaser/Lender			
	Principal amount			
(in millions of euros)	**Within one year**	**Between 1 and 5 years**	**Over 5 years**	**Fair value**
Forward exchange contracts	456.7	-	-	(1.3)
Forward exchange swaps	2,231.3	-	-	(34.9)
Cross currency swaps	-	-	-	-

	Seller/Borrower			
	Principal amount			
(in millions of euros)	**Within one year**	**Between 1 and 5 years**	**Over 5 years**	**Fair value**
Forward exchange contracts	426.3	-	-	7.7
Forward exchange swaps	898.2	-	-	15.4
Cross currency swaps	-	-	-	-

Interest rate risks

At December 31, 2012, off balance sheet financial instruments held to manage interest rate risks were as follows:

	Principal amount			
(in millions of euros)	**Within one year**	**Between 1 and 5 years**	**Over 5 years**	**Fair value**
Interest rate swaps:				
Pay fixed rate	-	-	-	-
Pay floating rate	-	483.3	-	33.9

Liquidity risk and credit rating

As of February 6, 2013, Alcatel-Lucent credit ratings were as follows:

Rating Agency	**Corporate Family rating**	**Long-term Debt**	**Short-term Debt**	**Outlook**	**Last update of the rating**	**Last update of the outlook**
Moody's	B3	Caa1	Not Prime	Negative	December 4, 2012	December 4, 2012
Standard & Poor's	B	CCC+	B	Watch Negative	December 21, 2012	December 21, 2012

Rating clauses affecting Alcatel debt at December 31, 2012

Alcatel-Lucent's short-term debt rating allows limited access to the commercial paper market.

Alcatel-Lucent outstanding bonds do not contain clauses that could trigger an accelerated repayment in the event of a lowering of its credit ratings.

Liquidity risk on the financial debt

As of December 31, 2012, the Group considers that its available marketable securities, cash and cash equivalents and the available syndicated bank credit facility (refer to Note 22) are sufficient to cover its operating expenses and capital expenditures and its financial debt requirements for the next twelve months.

This statement is still valid after taking into consideration the subsequent event described in note 22.

Alcatel-Lucent syndicated bank credit facility

On April 5, 2007, Alcatel-Lucent obtained a €1.4 billion multi-currency syndicated five-year revolving bank credit facility (with two one-year extension options). On March 21, 2008, €837 million of availability under the facility was extended until April 5, 2013. Therefore, since April 5, 2012, €837 million was the amount that was available under this credit facility.

The availability of this syndicated credit facility of €1.4 billion was not dependent upon Alcatel-Lucent's credit ratings. Alcatel-Lucent's ability to draw on this facility was conditioned upon its compliance with a financial covenant linked to the capacity of Alcatel-Lucent to generate sufficient cash to repay its net debt and compliance was tested quarterly when we released our consolidated financial statements. Since the €1.4 billion facility was established, Alcatel-Lucent has complied every quarter with the financial covenant that was included in the facility.

The facility was forfeited at the closing of the financing transaction described in note 22 (Subsequent event section).

NOTE 12 SHAREHOLDERS' EQUITY

The changes in shareholders' equity during the year 2012 were the following:

(in millions of euros)	Number of shares outstanding	Capital	Additional Paid-in capital	Legal reserve	Statutory reserves	Other reserves	Retained earnings	Net income for the period	Total share-holders' equity
At December 31, 2011 before appropriation	**2,325,383,328**	**4,650.7**	**15,413.8**	**369.6**	**1,673.3**	**195.0**	**(10,895.7)**	**(1,316.1)**	**10,090.8**
Appropriation of 2011 net income	-	-	-	-	-	-	(1,316.1)	1,316.1	-
Increases in capital:									
• conversion of convertible bonds	-	-	-	-	-	-	-	-	-
• merger premium	-	-	-	-	-	-	-	-	-
• stock options exercised	1,180,498	2.4	(2.4)		-	-	-	-	-
Net income (loss) for the year	-	-	-	-	-	-	-	(2,894.7)	(2,894.7)
At December 31, 2012 before appropriation	**2,326,563,826**	**4,653.1**	**15,411.5**	**369.6**	**1,673.3**	**195.0**	**(12,211.8)**	**(2,894.7)**	**7,196.0**
Appropriation of net income (loss) (proposal)	-	-	-	-	-	-	2,894.7	(2,894.7)	-
Dividend to be distributed relating to 2012 (proposal)	-	-	-	-	-	-	-	-	-
At December 31, 2012 after appropriation (proposal)	**2,326,563,826**	**4,653.1**	**15,411.5**	**369.6**	**1,673.3**	**195.0**	**(9,317.1)**	**(5,789.4)**	**7,196.0**

Capital stock, consisting of 2,326,563,826 ordinary shares of nominal value €2, is steady €4,653.1 million at the end of 2012.

The distributable income comprises the net income of the year reduced by any losses brought forward and by any legal or statutory appropriations to reserves and increased by any positive retained earnings. In addition, the Shareholders' Meeting is allowed to decide the distribution of available reserves and additional paid–in capital. However, the legal reserve, unavailable reserves resulting from the enforcement of laws or company by-laws and revaluation reserves cannot be distributed. In view of the above-mentioned proposed appropriation for 2012, distributable reserves amount to €2,173.3 million.

NOTE 13 RESERVES FOR LIABILITIES AND CHARGES

The movements on reserves for liabilities and charges in 2012 were as follows:

(in millions of euros)		12/31/2011	Increases	(Write-backs)	(Utilizations)	12/31/2012
Reserve for unrealized foreign exchange losses		17.8	-	(4.9)	(12.9)	-
Reserve for financial risks (see Note 4)		-	-	-	-	-
Reserves for litigation, guarantees given on investments sold and other reserves		58.2	0.5	(2.3)	(19.2)	37.2
Reserves for pensions and retirement indemnities	(Note 17)	34.0	23.2	-	(0.2)	57.0
Reserves for risks relating to subsidiaries		-	-	-	-	-
Total		**110.0**	**23.7**	**(7.2)**	**(32.3)**	**94.2**
Income statement impact:						
• operating income (loss)			23.4	(2.3)	(0.2)	20.9
• financial income (loss)			-	(4.9)	(12.9)	(17.8)
• non-recurring income (loss)			0.3	-	(19.2)	(18.9)

The release of the provision for foreign exchange losses' risks is essentially linked to the unrealized loss on the currency derivative (foreign exchange swap EUR/USD) which hedged partially the transaction of Genesys' disposal.

Alcatel-Lucent paid US$ 25 million in civil fines and disgorgement to the SEC in 2012 with regard to the FCPA investigations and the acceptance of settlement agreement with the DOJ by the court. The net provision is amounted to US$ 42 million at the end of 2012.

NOTE 14 BONDS

At December 31, 2012, outstanding Alcatel-Lucent bonds amounted to €1,962.0 million compared to €2,062 million at December 31, 2011. These amounts are analyzed as follows:

(in millions of euros)	**12/31/2011**	**Repayment of bonds maturing in 2012**	**New issuances**	**12/31/2012**
Convertible bonds				
Oceane 5.00 % - €1,000 m (2) due January 2015	1,000.0	-		1,000.0
Other bonds				
6.375 % - €462 m (2) due April 2014 (1)	462.0	-		462.0
Floating rate €200 m (2) due 2012/2012 extendable to 2016 (3)	100.0	(100.0)		-
Senior Notes 8.50% - €500 m (2) due January 2016 (4)	500.0	-		500.0
Total	**2,062.0**	**(100.0)**		**1,962.0**

(1) Benefit from a full and unconditional subordinated guaranty from Lucent Technologies Inc. (now known as Alcatel-Lucent USA Inc.).

(2) Face amounts outstanding as at December 31, 2012.

(3) Alcatel-Lucent did not exercise the option to extend the maturity date of those notes.

Changes in 2012:

- Extension or redemption:

The remainder of the bonds initially issued in July and October 2010, (i.e. bonds due in February 2012 and May 2012 for a nominal amount of € 50 million each) were not extended further by Alcatel-Lucent and were redeemed.

Change in 2013 – Subsequent event:

On January 30, 2013, Alcatel-Lucent closed the financing transaction syndicated on January 2013 by Crédit Suisse AG and Goldman Sachs Bank USA. Alcatel-Lucent USA Inc. issued three senior secured credit facilities with the following main characteristics:

- An asset sale facility with a coupon at Libor (with a 1.00% floor) plus 525 basis points and a total nominal value of U.S.$ 500 million maturing July 2016;
- A credit facility with a coupon at Libor (with a 1.00% floor) plus 625 basis points and a total nominal value of U.S.$ 1,750 million maturing January 2019; and
- A credit facility with a coupon at Libor (with a 1.00% floor) plus 650 basis points and a total nominal value of €300 million maturing January 2019.

These senior secured credit facilities are secured by, among other things, the intellectual property of Alcatel-Lucent owned primarily by Alcatel-Lucent SA and include customary covenants corresponding to this type of financing but with no financial covenant linked to the capacity of Alcatel-Lucent USA Inc. or the Group to generate sufficient cash to repay its debt.

The proceeds will be used for working capital purposes including the refinancing of existing neat term debt maturities.

Cash received under these senior secured credit facilities will be granted to Alcatel-Lucent SA following conditions reflecting those written above plus a margin of 150 basis points .

2

NOTE 15 ANALYSIS BY MATURITY DATE OF LIABILITIES AND RECEIVABLES AND OTHER CURRENT ASSETS

(in millions of euros)	**Amount at 12/31/2012**	**Less than one year**	**1-5 years**	**After 5 years**	**Out of which accruals**
Financial debt					
• convertible bonds (OCEANE)	1,000.0	-	1,000.0	-	-
• other bonds	962.0	-	962.0	-	-
• bank loans and overdrafts	-	-	-	-	-
• other financial debt	639.3	76.1	563.2	-	68.4
Tax and social liabilities	**10.8**	**10.8**	**-**	-	**2.9**
Other liabilities (after appropriation)	**7,961.6**	**7,803.3**	**158.3**	-	**150.7**
Total liabilities	**10,573.7**	**7,890.2**	**2,683.5**	-	**222.0**

ANALYSIS OF OTHER LIABILITIES AT DECEMBER 31, 2012

(in millions of euros)	**Amount at 12/31/2011**	**Amount at 12/31/2012**
Advances from subsidiaries - Group's Treasury Convention	6,772.0	7,650.9
Accounts payable (1)	105.9	114.8
Other	125.5	195.9
Total	**7,003.4**	**7,961.6**

(1) 2% are payable in 30 days and 6% are payable in 60 days and 92% over.

(in millions of euros)	**Amount at 12/31/2012**	**Less than one year**	**1-5 years**	**After 5 years**	**Out of which accruals**
Receivables					
Tax and social receivables	14.3	4.2	10.1	-	-
Other accounts receivable and other current assets	935.6	935.6	-	-	124.0
Total	**949.9**	**939.8**	**10.1**	**-**	**124.0**

ANALYSIS OF OTHER ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS AT DECEMBER 31, 2012

(in millions of euros)	**Amount at 12/31/2011**	**Amount at 12/31/2012**
Advances to subsidiaries - Group's Treasury Convention	1,766.1	810.1
Accruals	(1.0)	-
Accounts receivable	188.2	123.9
Other	79.1	1.6
Total	**2,034.4**	**935.6**

NOTE 16 RELATED PARTY TRANSACTIONS

Outstanding balances at December 31, 2012 arising from related party transactions were as follows:

(in millions of euros)	**Net balance sheet amount**	**Of which consolidated or related companies**
Investments and other non-current assets		
• Investments in subsidiaries and associates	6,947.1	6,947.1
• Due from subsidiaries and associates	-	-
• Other financial assets	7,074.3	7,062.2
• Other investments	24.7	24.1
Accounts receivable	949.9	928.0
Marketable securities	1,370.1	-
Financial debt		
• Convertible bonds and other bonds	1,962.0	-
• Bank loans and overdrafts	-	-
• Other financial debt	639.3	572.5

Related party transactions for the period were as follows:

(in millions of euros)	**Net income statement amount**	**Of which consolidated or related companies**
Financial income (loss)		
• Revenues from investments in subsidiaries and associates	69.7	69.7
• Interest income and similar revenues	258.8	202.6
• Interest expenses and similar expenses	(215.6)	(69.2)
• Other financial income (loss)	(2,994.8)	(3,007.2)

No transaction has been concluded out of normal market conditions with related parties.

NOTE 17 PENSIONS AND RETIREMENT INDEMNITIES

At December 31, 2012, Alcatel-Lucent's pensions and retirement indemnity obligations were either reserved (the reserve amounts to €57.0 million - see Note 13) or were covered by insurance contracts.

The "*Conseil national de la comptabilité*'s regulation no. 2003-R01 on pensions and other long-term benefits has been applied as from January 1, 2004.

Actuarial gains and losses due to experience adjustments and effects of changes in actuarial assumptions existing at December 31, 2003 were transferred to shareholders' equity, as allowed by the "*Conseil national de la comptabilité*'s press release dated July 22, 2004.

Actuarial gains and losses computed between January 1, 2004 and December 31, 2006 were recorded using the "corridor" method, which resulted in recording the actuarial gains and losses as an adjustment to the pension reserve and in amortizing them to income if they exceeded a given amount. As from 2007, all actuarial gains and losses are recognized in the income statement as incurred.

The actuarial assumptions used are as follows:

Discount rate	2.75%
Future salary increases	7.00%
Expected long-term return on assets	4.25%

The discount rate used is obtained by reference to market yields on high quality bonds (government and prime-rated corporations - AA or AAA) having maturity dates equivalent to those of the plans.

The return on plan assets depends on the asset allocation of the investment portfolio and the expected future performance.

Components of net periodic benefit (cost) of post-employment benefit plans are:

(in millions of euros)	
Service cost	(3.7)
Interest cost	(2.7)
Expected return on plan assets	1.6
Amortization of prior service cost	-
Amortization of recognized actuarial gain/(loss)	-
Effect of curtailments	-
Effect of settlements	-
Effect of adjustment on net assets	-
Net periodic benefit (cost)	**(4.8)**

The change in the obligation recorded in the balance sheet is as follows:

(in millions of euros)	
Change in benefit obligation	
Benefit obligation at January 1	**(73.8)**
Service cost	(3.7)
Interest cost	(2.7)
Plan participants' contributions	-
Amendments	-
Curtailments	-
Settlements	-
Special termination benefits	-
Actuarial (gains) and losses	(13.8)
Benefits paid	2.1
Benefit obligation at December 31	**(91.9)**
Benefit obligation excluding effect of future salary increases	(82.4)
Effect of future salary increases	(9.5)
Benefit obligation at December 31	**(91.9)**
Change in plan assets	
Fair value of plan assets at January 1	**39.9**
Expected return on plan assets	1.5
Actuarial gains and (losses)	(4.7)
Employer's contributions	-
Plan participants' contributions	-
Amendments	-
Curtailments	-
Settlements	-
Benefits paid/Special termination benefits	(2.0)
Fair value of plan assets at December 31	**34.8**
Present value of defined benefit obligations that are wholly or partially funded	(90.0)
Fair value of plan assets	34.8
Funded status of defined benefit obligations that are wholly or partially funded	**(55.2)**
Present value of defined benefit obligations that are wholly unfunded	(1.8)
Funded status	**(57.0)**
Unrecognized actuarial (losses)/ gains	-
Plan amendments	-
Unrecognized surplus (due to application of asset ceiling)	-
Net amount recognized	**(57.0)**

The plan assets of retirement plans are invested as follows:

(in millions of euros and percentage)	**Market value**	**%**
Bonds	28.9	83%
Equity securities	2.2	6%
Short-term investments	1.0	3%
Property assets	2.7	8%
Total	**34.8**	**100%**

NOTE 18 CONTRACTUAL OBLIGATIONS AND DISCLOSURE RELATED TO OFF-BALANCE SHEET COMMITMENTS

Presentation of here below financing commitments does not preclude the existence of significant off balance sheet commitments in accordance with accounting principles.

Other commitments

Alcatel-Lucent has also given the following guarantees with regard to the Group's general operations:

(in millions of euros)	**Amount at 12/31/2012**	**Less than one year**	**1-5 years**	**After 5 years**
Guarantees granted to subsidiaries or other Group companies *	-	-	-	-
Assets pledged to secure Alcatel-Lucent's financial debt	-	-	-	-
Guarantees given on:				
• commercial contracts	2,348.6	802.9	771.1	774.6
• loans	654.6	-	2.8	651.8
• other items	279.2	23.2	40.7	215.3
Discounted receivables				
Total	**3,282.4**	**826.1**	**814.6**	**1,641.7**

The guarantees given on commercial contracts (€2,348.6 million) include guarantees on businesses sold or contributed to Thales (€45.3 million), for which Alcatel-Lucent received a counter-guarantee from the purchaser.

Guarantees received

(in millions of euros)	**Amount at 12/31/2012**	**Less than one year**	**1-5 years**	**After 5 years**
Guarantees received	0.5	0.5	-	-
Total	**0.5**	**0.5**	**-**	**-**

NOTE 19 CONTINGENCIES

In addition to legal proceedings incidental to the conduct of its business (including employment-related collective actions in France and the United States) which management believes are adequately reserved against in the financial statements or will not result in any significant costs to the Group, Alcatel-Lucent is involved in the following legal proceedings.

Actions and investigations

a/ Costa Rican Actions

Beginning in early October 2004, Alcatel-Lucent learned that investigations had been launched in Costa Rica by the Costa Rican prosecutors and the National Congress, regarding payments made by consultants allegedly on behalf of Alcatel CIT, a French subsidiary now called Alcatel-Lucent France ("CIT"), or other Alcatel-Lucent subsidiaries to various public officials in Costa Rica, two political parties in Costa Rica and representatives of Instituto Costarricense de Electricidad (ICE), the state-owned telephone company, in connection with the procurement by CIT of several contracts for network equipment and services from ICE. Upon learning of these allegations, Alcatel commenced an investigation into this matter.

In connection with the Costa Rica allegations, on July 27, 2007, the Costa Rican Prosecutor's Office indicted eleven individuals, including the former president of Alcatel de Costa Rica, on charges of aggravated corruption, unlawful enrichment, simulation, fraud and others. Three of those individuals have since pled guilty. Shortly thereafter, the Costa Rican Attorney General's Office and ICE, acting as victims of this criminal case, each filed amended civil claims against the eleven criminal defendants, as well as five additional civil defendants (one individual and four corporations, including CIT) seeking compensation for damages in the amounts of U.S.$52 million (in the case of the Attorney General's Office) and U.S.$20 million (in the case of ICE). The Attorney General's claim supersedes two prior claims, of November 25, 2004 and August 31, 2006. On November 25, 2004, the Costa Rican Attorney General's Office commenced a civil lawsuit against CIT to seek pecuniary compensation for the damage caused by the alleged payments described above to the people and the Treasury of Costa Rica, and for the loss of prestige suffered by the Nation of Costa Rica (social damages). The ICE claim, which supersedes its prior claim of February 1, 2005, seeks pecuniary compensation for the damage caused by the alleged payments described above to ICE and its customers, for the harm to the reputation of ICE resulting from these events (moral damages), and for damages resulting from an alleged overpricing it was forced to pay under its contract with CIT. During preliminary court hearings held in San José during September 2008, ICE filed a report in which the damages allegedly caused by CIT are valued at U.S.$71.6 million. The trial of the criminal case, including the related civil claims, started on April 14, 2010. In December 2012, the Court of Appeals in the criminal matter declared all of the defendants not guilty, though Alcatel-Lucent does not know yet under what grounds as it has not yet been served with the judgment; accordingly, Alcatel-Lucent cannot yet determine what will be the impact of such decision on the claims against CIT.

Alcatel-Lucent settled the Attorney General's social damages claims in return for a payment by CIT of approximately U.S.$10 million. ICE pretends that their civil claims are not included in the settlement with the Attorney General, and proceeded to take such civil claims to trial with the criminal claims. On April 5, 2011, the trial was closed by the Tribunal. The Tribunal rendered its verdict on April 27, 2011, and declined on procedural grounds to rule on ICE's related civil claims against Alcatel-Lucent, which were dismissed. The criminal court issued its full written ruling on May 25, 2011. The corresponding reserve previously booked for an amount of €2 million was fully reversed during the second quarter 2011.

Additionally, in August 2007, ICE notified CIT of the commencement of an administrative proceeding to terminate the 2001 contract for CIT to install 400,000 GSM cellular telephone lines (the "400KL GSM Contract"), in connection with which ICE is claiming compensation of U.S.$59.8 million for damages and loss of income. By March 2008, CIT and ICE concluded negotiations of a draft settlement agreement for the implementation of a "Get Well Plan," in full and final settlement of the above-mentioned claim. This settlement agreement was not approved by ICE's Board of Directors which resolved, instead, to resume the aforementioned administrative proceedings to terminate the operations and maintenance portion of the 400KL GSM Contract, claim penalties and damages in the amount of U.S.$59.8 million and call the performance bond. CIT was notified of the termination by ICE of this portion of the 400 KL GSM Contract on June 23, 2008. ICE has made additional damages claims and penalty assessments related to the 400KL GSM Contract that bring the overall exposure under the contract to U.S.$78.1 million in the aggregate, of which ICE has collected U.S.$5.9 million.

In June 2008, CIT filed an administrative appeal against the termination mentioned above. ICE called the performance bond in August 2008, and on September 16, 2008 CIT was served notice of ICE's request for payment of the remainder amount of damages claimed, U.S.$44.7 million. On September 17, 2008, the Costa Rican Supreme Court ruled on the appeal filed by CIT stating that: (i) the U.S.$15.1 million performance bond amount is to be reimbursed to CIT and (ii) the U.S.$44.7 million claim is to remain suspended until final resolution by the competent court of the case. Following a clarification request filed by ICE, the Court finally decided that the U.S.$15.1 million performance bond amount is to remain deposited in an escrow account held by the Court, until final resolution of the case. On October 8, 2008, CIT filed a claim against ICE requesting the court to overrule ICE's partial termination of the 400KL GSM Contract and claiming compensation for the damages caused to CIT. In January 2009, ICE filed its response to CIT's claim. At a court hearing on March 25, 2009, ICE ruled out entering into settlement discussions with CIT. On April 20, 2009, CIT filed a petition to the Court to recover the U.S.$15.1 million performance bond amount and offered the replacement of such bond with a new bond that will guarantee the results of the final decision of the Court. CIT appealed the Court's rejection of such petition and the appeal was resolved on March 18, 2010 in favor of CIT. As a consequence of this decision, CIT will collect the aforementioned U.S.$15.1 million amount upon submission to the Court of a bank guarantee for an equivalent amount. A hearing originally scheduled for June 1, 2009 was suspended due to ICE's decision not to present to the Court the complete administrative file wherein ICE decided the partial termination of the 400KL GSM Contract. The case is expected to be set for trial in 2013.

On October 14, 2008, the Costa Rican authorities notified CIT of the commencement of an administrative proceeding to ban CIT from government procurement contracts in Costa Rica for up to 5 years. The administrative proceeding was suspended on December 8, 2009 pending the resolution of the criminal case mentioned above. In March 2010, CIT was notified of a new administrative proceeding whereby ICE seeks to ban CIT from procurement contracts, as a consequence of alleged material breaches under the 400KL GSM Contract (in particular, in connection with failures related to road coverage and quality levels).

On May 3, 2012, ICE filed before the Tribunal Contencioso Administrativo y Civil de Hacienda of Costa Rica a new claim against a number of Alcatel-Lucent legal entities with regards to the corruption matter that was investigated by and settled with the Costa Rican and United States authorities. The ICE claim totals €14 million. With regards to this last claim, no reserves have been booked as it is Alcatel-Lucent's position that this matter has been fully settled with the Costa Rican Prosecution Office in 2010.

If the Costa Rican authorities conclude criminal violations have occurred, CIT may be banned from participating in government procurement contracts within Costa Rica for a certain period. Alcatel-Lucent generated €2.8 million in revenue from Costa Rican contracts in 2012 and expects to generate approximately €2.1 million of revenues in 2013. Based on the amount of revenue expected from these contracts, Alcatel-Lucent does not believe a loss of business in Costa Rica would have a material adverse effect on the Alcatel-Lucent group as a whole. However, these events may have a negative impact on the reputation of Alcatel-Lucent in Latin America.

Alcatel-Lucent has recognized a provision in connection with the various ongoing proceedings in Costa Rica when reliable estimates of the probable future outflow were available.

b/ Investigations in France

French authorities carried out or are carrying out investigations into certain conduct by Alcatel-Lucent subsidiaries in Costa Rica, Kenya, Nigeria, and French Polynesia.

With respect to Costa Rica, French authorities are investigating CIT's payments to consultants in the Costa Rica matter described above.

With respect to the investigation to ascertain whether inappropriate payments were made to Kenyan public officials as a result of consultant payments made in 2000 in connection with a supply contract between CIT and a privately-owned company in Kenya, on November 7, 2012, the French authorities closed their investigation without filing charges.

With respect to Nigeria, French authorities have requested that Alcatel-Lucent produce further documents related to payments made by its subsidiaries to certain consultants in Nigeria. Alcatel-Lucent has responded to the request and is continuing to cooperate with the investigating authorities.

The investigation with respect to French Polynesia concerns the conduct of Alcatel-Lucent's telecommunication submarine system subsidiary, Alcatel-Lucent Submarine Networks ("ASN"), and certain former employees of Alcatel-Lucent in relation to a project for a telecommunication submarine cable between Tahiti and Hawaii awarded to ASN in 2007 by the state-owned telecom agency of French Polynesia ("OPT"). On September 23, 2009, four of those former employees were charged ("mis en examen") with aiding and abetting favoritism in connection with the award by OPT of this public procurement project. On November 23, 2009, ASN was charged with benefitting from favoritism ("recel de favoritisme") in connection with the same alleged favoritism. Alcatel-Lucent commenced, and is continuing, an investigation into this matter. In March 2011, several current or former public officials of French Polynesia were charged with either favoritism or aiding and abetting favoritism.

Alcatel-Lucent is unable to predict the outcome of these investigations and their potential effect on Alcatel-Lucent's business. In particular, if ASN were convicted of a criminal violation, the French courts could, among other things, fine ASN and/or ban it from participating in French public procurement contracts for a certain period. ASN generated approximately €2.1 million of revenues from French public procurement contracts in 2012 and expects to generate approximately €9.2 million of revenues in 2013. Accordingly, Alcatel-Lucent does not believe that a loss of business as a result of such a ban would have a material effect on the Alcatel-Lucent group as a whole.

Effect of the various proceedings

Governmental investigations and legal proceedings are subject to uncertainties and the outcomes thereof are difficult to predict. Consequently, Alcatel-Lucent is unable to estimate the ultimate aggregate amount of monetary liability or financial impact with respect to these matters. Because of the uncertainties of government investigations and legal proceedings, one or more of these matters could ultimately result in material monetary payments by Alcatel-Lucent beyond those to be made by reason of the various settlement agreements described in this Note 19.

Except for these governmental investigations and legal proceedings and their possible consequences as set forth above, the Company is not aware, as of the date this document is being published, of any legal proceeding or governmental investigation (including any suspended or threatened proceeding) against Alcatel-Lucent and/or its subsidiaries that could have a material impact on the financial situation or profitability of the Group.

No significant new litigation has been commenced since December 31, 2012.

NOTE 20 COMPENSATIONS OF DIRECTORS AND EXECUTIVE OFFICERS

Directors' fees for 2012 amounted to €1.1 million.

The 2012 compensations paid by Alcatel-Lucent to executive officers amounted to €2.5 million.

NOTE 21 STATUTORY AUDITORS' FEES

The amount of fees of our Statutory Auditors for the year ended December 31, 2012 is not incorporated into the Notes to the parent company statutory accounts. However, the unaudited amount of audit fees is disclosed in section 11.4 of the 20-F that is available on Internet at *www.alcatel-lucent.com*.

NOTE 22 EVENTS AFTER THE STATEMENT OF POSITION DATE

On December 14, 2012 Alcatel-Lucent announced that it entered into commitments with Credit Suisse AG and Goldman Sachs Bank USA for €1.615 billion in senior secured credit facility. On January 30, 2013 Alcatel-Lucent announced the closing of this financing transaction with a €2 billion nominal value. Main characteristics of this senior secured credit facility are disclosed in Note 14 The impact of this new senior secured credit facility on the existing outstanding syndicated bank credit facility as of December 31, 2012 is disclosed in Note 11 "Alcatel-Lucent syndicated bank credit facility".

There were no other events that have a material impact on the financial status that occurred between the statement of financial position date and February 6, 2013, the date when the Board of Directors authorized the consolidated financial statements for issue.

NOTE 23 INFORMATION RELATED TO SUBSIDIARIES AND ASSOCIATES

(in millions of euros)	Capital stock at year-end	Components of shareholders' equity other than capital stock (1)	Alcatel-Lucent percentage of ownership (%)	Gross value of investments held	Net book value of investments held	Outstanding loans and advances	Guarantees given	Net sales (2)	Net income (loss) (2)	Dividends received in 2011 by Alcatel-Lucent
Detailed information relating to subsidiaries and associates with book value in excess of 1% of Alcatel-Lucent's capital stock										
A - Subsidiaries (at least 50% of capital stock held by Alcatel-Lucent)										
Alcatel-Lucent Participations - 3, avenue Gréard 75007 Paris	1,800.5	8,068.9	100.0	28,251.4	3,590.0	6,497.1	-	1.1	3,597.0	-
Coralec 3, avenue Gréard 75007 Paris	3,434.6	(1,871.6)	100.0	8,726.6	1,629.2	-	-	-	(588.4)	-
Electro Banque 3, avenue Gréard 75007 Paris	106.0	575.5	100.0	581.7	581.7	-	-	27.6	12.9	12.7
Alcatel-Lucent Submarine Networks - 3, avenue Octave Gréard 75007 Paris	112.0	277.6	100.0	1,338.6	1,117.6	-	-	696.8	80.2	50.0
B - Associates (10% to 50% of capital stock held by Alcatel-Lucent)										
Information relating to other subsidiaries and associates:no significant										
C - Subsidiaries (at least 50% of capital stock held by Alcatel-Lucent): ***no significant***										

(1) Before appropriation.

(2) Last financial year non audited.

(in thousands of euros)		Number of shares held	Net book value	Alcatel-Lucent percentage of ownership	Alcatel-Lucent Group percentage of ownership
I - Investment in subsidiaries and associates					
Alcatel-Lucent Participations (1)	(TG)	120,036,232	3,590,076	100.0	100.0
Coralec	(TG)	572,428,051	1,629,162	100.0	100.0
Electro Banque	(TG)	10,600,407	581,741	100.0	100.0
Alcatel-Lucent Holding GmbH (Deutschland)		1	-	25.0	100.0
Alcatel-Lucent Submarine Networks	(TG)	37,337,826	1,117,590	100.0	100.0
Alcatel-Lucent International	(TG)	625,000	6,007	0.2	100.0
Alcatel-Lucent Norway		11,400,000	15,065	100.0	100.0
Electro Re		7,000	5,368	100.0	100.0
Other			2,158		
II - Other financial investments					
Alcatel-Lucent		25,336,243	24,069	1.1	2.5
III - Investments in real estate companies		-	-	-	-

(TG) Subsidiary belonging to the French tax group.

Five-year summary of financial data

	2012	2011	2010	2009	2008
Capital stock at year end					
a) Capital stock *(in thousands of euros)*	4,653,128	4,650,767	4,636,771	4,636,121	4,636,084
b) Number of shares	2,326,563,826	2,325,383,328	2,318,385,548	2,318,060,818	2,318,041,761
c) Number of new shares to be issued by conversion of bonds	459,636,084	467,543,871	518,226,986	544,204,846	264,464,797
Results (in thousands of euros)					
a) Revenues from investment portfolio	69,753	59,043	19,509	15,888	18,219
b) Income (loss) before tax, depreciation, amortization and provisions	93,403	(2,452,870)	181,954	335,781	741,794
c) Income tax	28,082	41,193	13,086	77,622	23,029
d) Employee profit sharing	-	-	-	-	-
e) Income (loss) after tax, depreciation amortization and provisions	(2,894,686)	(1,316,134)	1,497,128	598,298	(10,878,858)
f) Dividends (including distribution tax)	- (1)	-	-	-	-
Earnings per Share (in euros)					
a) Income (loss) after tax, but before depreciation amortization and provisions	0.05	(1.04)	0.08	0.18	0.33
b) Income (loss) after tax, depreciation amortization and provisions	(1.24)	(0.57)	0.65	0.26	(4.69)
c) Dividend attributable to each Share having a nominal value of €2	- (1)	-	-	-	-
Personnel					
a) Average number of staff employed during the year	9	9	10	10	10
b) Payroll *(in thousands of euros)*	4,786	6,579	5,225	4,729	13,316
c) Social security and employee benefits *(in thousands of euros)*	1,106	2,273	2,602	2,954	2,040

(1) Proposed.

2.4 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2012

Statutory auditors' report on the financial statements

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes (an) explanatory paragraph(s) discussing the auditors' assessment(s) of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the annual financial statements. The report also includes information relating to the specific verification of information in the group management report.

This report, together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying annual Financial Statements of Alcatel Lucent,
- the justification of our assessments,
- the specific verifications and disclosures required by French law.

These annual Financial Statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes verifying, by audit sampling and other selective testing procedures, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management, and the overall Financial Statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of the company at December 31, 2012 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the provisions of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Your company's management makes estimates and assumptions which affect the amounts that appear in the financial statements and the notes thereto. As these assumptions are by their nature uncertain, the final results may differ from these estimates.

  Among the accounts subject to material accounting estimates, as described in Note 8 to the Financial Statements, is the carrying value of investments amounting to €6,947.1 million presented under assets on the balance sheet as of December 31, 2012.

  The carrying value of investments is derived notably from a valuation of the Group Alcatel Lucent prepared based on the recoverable value of the various product divisions. The approach lies in estimating for each product division a debt and tax free value based on discounted free cash flows projected for the years 2013 until 2017 and a discounted terminal value as of the end of 2017.

We assessed the appropriateness of the methodology disclosed in Notes 1.b1 and 8 to the Financial Statements, reviewed the data and assumptions used for its implementation and accordingly determined the reasonableness of these estimates.

- With respect to the liquidity risk disclosed in Note 11 to the consolidated financial statement, we have verified that, on the basis of the information made available to us, the available treasury of the company as of December 31, 2012 and the conditions of the secured credit facilities concluded on January 30, 2013 and described in note 22 to the consolidated financial statements are sufficient to cover its operating expenses and capital expenditures and its financial debt requirements for the next twelve months.

These assessments were made as part of our audit of the Financial Statements taken as a whole and therefore served in forming our audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND DISCLOSURES

We have also performed the specific verifications required by French law, in accordance with professional practice standards.

We have no matters to report regarding the fair presentation and consistency with the Financial Statements of the information given in the Board of Directors' report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

With respect to disclosures regarding the remuneration and benefits paid to directors and commitments made in their favor, pursuant to Article L.225-102-1 of the French Commercial Code, we have verified their consistency with the Financial Statements and the data used to prepare these Financial Statements and, where necessary, with the information collected from companies controlling your company or companies controlled by your company. Based on our work, we are able to confirm the information's accuracy and fairness.

In accordance with French law, we have ensured that the required information concerning the names of the principal shareholders and holders of the voting rights have been properly disclosed in the management report.

Neuilly-sur-Seine and Paris-La Défense, March 11, 2013

The statutory auditors
French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Jean-Pierre Agazzi	Jean-François Ginies

2.5 SPECIAL STATUTORY AUDITOR'S REPORT ON REGULATED AGREEMENTS

This is a free translation into English of the statutory auditor's special report on regulated agreements and commitments involving certain related parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS INVOLVING CERTAIN RELATED PARTIES

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments involving certain related parties.

It is our responsibility to communicate to you, based on information provided to us, the principal terms and conditions of agreements and commitments brought to our attention or uncovered during our audit, without expressing an opinion on their usefulness and appropriateness or to identify any additional agreement or commitments. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code (Code de Commerce), to assess the purpose involved in respect to the conclusion of these agreements for the purpose of approving them.

In addition, it is our responsibility to communicate to you, pursuant to Article R.225-31 of the French Commercial Code (Code de Commerce), the information regarding the implementation during the year of agreements and commitments previously approved by the Shareholders' meeting.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO APPROVAL BY THE SHAREHOLDERS' MEETING

Agreements and commitments entered in 2012

We hereby inform you that no agreement or commitment entered in 2012 and to which Article L.225-38 of the French Commercial Code (Code de Commerce) would be applicable have been brought to our attention.

Agreements and commitments entered since December 31, 2012

In addition, we have been advised, since December 31, 2012, of the following agreements and commitments that were authorized prior to their conclusion by your Board of Directors.

Commitments made by the Company in favor of the CEO, Mr. Michel Combes, effective on April 1, 2013

In the context of the appointment of Mr. Michel Combes as CEO of Alcatel-Lucent effective on April 1, 2013, the Board of Directors, at its meeting on March 7, 2013, authorized, subject to approval by the Shareholder meeting of May 7, 2013, the following commitments in favor of Mr. Michel Combes:

(i) The benefit of the private pension plan applicable to all corporate executives of the Group's French subsidiaries (AUXAD plan) for the portion of their income that exceeds eight times the annual French Social Security limit, beyond which there is no legal or contractual pension scheme, subject to performance conditions as required by law, and

(ii) a termination benefit, the amount of which will be equal to one year of base salary (fixed and target variable remuneration), subject to performance conditions as required by law.

As indicated in the management report, these two commitments are subject to performance-related criteria determined by the Board of Directors at its meeting on March 7, 2013 and which will be assessed throughout Mr. Michel Combes' term of office or upon early termination of his duties.

Specifically, as the provisions of the above-mentioned private pension plan do not require the beneficiary to be with Alcatel Lucent at the time he retires, it does not follow the provisions of Article L. 137-11 of the French Social Security Code (Code de la Sécurité sociale) and the corresponding commitment should, in accordance with the provisions of Article L. 225-42-1 of the French Commercial Code (Code de Commerce), be conditioned on performance-related criteria.

The pension commitment is subject to the following performance conditions:

- Three quantitative criteria, weighted cumulatively at 75% (individually 25% each), corresponding to the evolution of revenue, and operating income of the Group, as well as the Alcatel-Lucent share price evolution in comparison with previous fiscal years compared with a representative sample of companies in the sector consistent with the sample used for the stock options and performance shares plans;
- Two qualitative criteria, weighted together at 25% (individually 12.5% each), corresponding to the execution of The Performance Program and the evolution of the customer satisfaction index.

Over the reference period:

- If the Global performance score is above 85%, the beneficiary will be entitled to 100% of the rights with respect to this commitment,
- If the Global performance score is between 50% and 85%, the beneficiary will be entitled to 75% of the rights with respect to this commitment,
- If the Global performance score is between 25% and 50%, the beneficiary will be entitled to 50% of the rights with respect to this commitment,
- If the Global performance score is less than 25%, the beneficiary will not be entitled to any right with respect to this commitment

The termination benefit is subject to a performance condition set in relation to the Company's situation consisting in positive Free Cash Flow for at least one fiscal year from now until the end of Mr. Michel Combes' mandate as CEO, as reported by the Company in its audited financial statements. The breakdown of Free Cash Flow is reported in Note 32-b of the 2012 audited consolidated financial statements. It corresponds to the net cash provided (or used) by operating activities (including restructuring cash outlays and contribution and benefits paid on pensions and post-employment benefits) reduced by capital expenditures. This performance condition can be either entirely fulfilled (at 100%), or not fulfilled (0%). Moreover, in compliance with the AFEP-MEDEF Code, this termination benefit will only be paid to Mr. Michel Combes if the Board of Directors terminates his duty as CEO in connection with a change of control or strategy. No termination benefit would be due in the following cases: (i) he is terminated for gross misconduct, (ii) he leaves the Company on his own initiative, (iii) he changes position within the Group, or (iv) if upon his departure, Mr Michel Combes has the ability to claim his pension rights within a short time period.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved during previous fiscal years without effect during fiscal year ended December 31, 2012, which have been executed or terminated since December 31, 2012

We have been advised of the continuation of the following agreements and commitments authorized in previous years without there being any actual implementation of the principle and that have been implemented since December 31, 2012.

Commitments made by the Company in favor of the Chairman of the Board, Mr. Philippe Camus

The commitment made by the Company to Mr. Philippe Camus which provides, for the grants of performance shares made during his term of office which are not yet fully vested, the principle of the continuation of the rights related to such grants in certain instances of termination of his duties as Chairman of the Board (in the event of dismissal other than for professional misconduct, of resignation other than for personal reasons or of change of control of the Company), was continued in fiscal year 2012 without there being any actual implementation of the principle.

As indicated in the management report, on February 6, 2013, the Board of Directors acknowledged Mr. Philippe Camus' decision to waive this commitment, which will end at the expiration of his current mandate as Chairman of the Board of Directors, and will not be renewed in the context of the renewal of his term of office as Director to be proposed to the shareholders at the Shareholders' Meeting of May 7, 2013 and as Chairman of the Board of Directors.

This decision puts an end to the Company's commitment relating to the continuation of the right to performance shares granted to Mr. Philippe Camus with effects as of the date of the next Shareholders' Meeting, for purposes of the provisions of French law concerning regulated agreements and commitments.

Commitments made by the Company in favor of the CEO until April 1, 2013, Mr. Ben Verwaayen

The commitment made by the Company to Mr. Ben Verwaayen which provides, for the grants of performance shares and stock options made during his term of office which are not yet fully vested, the principle of the continuation of the rights related to such grants in certain instances of termination of his duties as Chief Executive Officer (in the event of dismissal other than for professional misconduct, of resignation other than for personal reasons or of change of control of the Company) was continued in fiscal year 2012, without there being any actual implementation of the principle.

As indicated in the management report, this commitment will be implemented on April 1, 2013 upon the end of Mr. Ben Verwaayen's mandate as CEO. In this context, the Board of Directors acknowledged, at its meeting on March 7, 2013, the continuation, to the benefit of Mr. Ben Verwaayen, of the outstanding stock option plans (no performance shares are concerned) in accordance with the commitment described above, on the following basis:

- The rights attached to the stock options granted under the 2009, 2010 and 2011 plans will vest until the termination of his duties as CEO, on April 1, 2013, that is 1,053,625 stock options already vested and a maximum of 662,500 stock options, the vesting of which will be determined on the respective anniversary dates of the plans, the latest of such date being March 18, 2013, based on the result of the performance reviews,
- The benefit of the rights not yet vested under the 2010 and 2011 plans will be vested on April 1, 2013, without application of the provisions regarding performance conditions with respect to reference periods following such date; this concerns 900,000 stock options,
- The exercise of the corresponding rights must occur within 12 months from the end of the holding period pursuant to the provisions of the respective stock option plans.

The decision of the Board above will put an end to the commitment relating to the continuation of the right to performance shares and stock options granted to Mr. Ben Verwaayen on the date of the termination of his duties as CEO, on April 1, 2013, for purpose of the provisions of French law concerning regulated agreements and commitments.

The pension commitment made by the Company to Mr. Ben Verwaayen that is (i) the benefit of the private pension plan applicable to all corporate executives of the Group's French subsidiaries (AUXAD plan), and (ii) the commitment guaranteeing him an additional annual pension equal to 40% of his compensation, calculated based on the average of the two most highly remunerated years among the last five years of his career at the Company, were continued in fiscal year 2012, without there being an actual implementation of these commitments. As these commitments do not expressly require that Mr. Ben Verwaayen end his career at the Company, they are not subject to Article L137-11 of the French Social Security Code. However, they are subject to the performance criteria described in the management report, which are to be assessed over his entire term of office as a CEO.

These commitments will be implemented on April 1, 2013 upon the end of Mr. Ben Verwaayen's mandate as CEO. In this context, the Board of Directors, at its meeting on March 7, 2013, assessed the satisfaction of the performance conditions related to these commitments in light of the criteria determined by the Board of Directors at the time of their approval on October 29, 2008, and determined that, based on the Company's annual results and those of its competitors as at December 31, 2012, the "Global performance score" over the last four years was higher than the threshold required for the award of a gross supplemental life pension annuity allowing Mr. Ben Verwaayen to benefit from pension annuities corresponding to 40% of his remuneration.

In application of these provisions, Mr. Ben Verwaayen will benefit from the award of a gross supplemental life annuity, the definitive amount of which, calculated as of the date of the end of his mandate on April 1, 2013, will amount to €293,142. To this amount will be added the pensions accrued during his career at Alcatel-Lucent between September 15, 2008 and April 1, 2013, under all statutory complementary and supplementary pension schemes combined (in particular the private pension plan applicable to all corporate executives of the Group's French subsidiaries (AUXAD plan)), which have been assessed, effective as of April 1, 2013, at a gross annuity amount of €205,669.

This decision puts an end to the pension commitments in favor of Mr. Ben Verwaayen on the date of the termination of his functions as CEO, on April 1, 2013, for purpose of the provisions of French law concerning regulated agreements and commitments.

Neuilly-sur-Seine and Paris-La-Défense, March 11, 2013

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres
Jean-Pierre Agazzi	Jean-François Ginies

3 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS — INTERNAL CONTROL AND RISK MANAGEMENT

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, we hereby submit the Report of the Chairman of the Board of Directors describing the internal control and risk management procedures which the company has implemented.

In order to meet the requirements of the provisions of Article L. 823-19 of the French Commercial Code, the Chairman of the Board of Directors has entrusted the Law Division and Corporate Audit Services with the preparation of the Report, which is centered around the following topics: corporate governance, global system of internal control and risk management and accounting and financial reporting.

After having proposed a general framework and having indicated all current applicable regulations, the Law Division consolidates the inputs received from the various departments involved.

This report was presented to the Disclosure Committee and the Audit and Finance Committee at their meetings held in March 2013, and approved by the Board of Directors at the meeting held on March 7, 2013.

Regarding internal control and risk management, the procedures implemented by the company at the Group level, the responsibilities within the Group and the standards that have been set, are the subject of an explanatory report by the Chairman of the Board of Directors, in accordance with Article L. 225-37 of the French Commercial Code. The text of this report is set forth below.

The internal control system for the processing of accounting and financial information has been specially developed, to take into account the regulation in this area, both in the United States with the Sarbanes-Oxley Act which applies to Alcatel Lucent due to the fact it is listed on the New York Stock Exchange, and in France, pursuant to the Financial Security Law (*loi de sécurité financière*), which requires the Statutory Auditors to issue an opinion on the report by the Chairman of the Board of Directors.

It should be noted that the term Group used in the present section refers to Alcatel Lucent and all its consolidated subsidiaries.

It is besides specified that elements presented below describe a situation aligned in the fiscal year ended as at December 31st, 2012. In September, 2012, the CEO announced a new operational model becoming effective as from January 1st, 2013. The implementation of this new organization could eventually lead to changes regarding the structure and content of the present report.

Furthermore, since January 1, 2013, the Management Committee calls Executive Committee.

3.1 GLOBAL SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

A. OBJECTIVES AND CONTROL FRAMEWORK USED

The internal control system used by the Group follows a framework established by a recognized body, the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the principal elements of which have been incorporated by the Autorité des marchés financiers (AMF) in its Cadre de référence (reference framework).

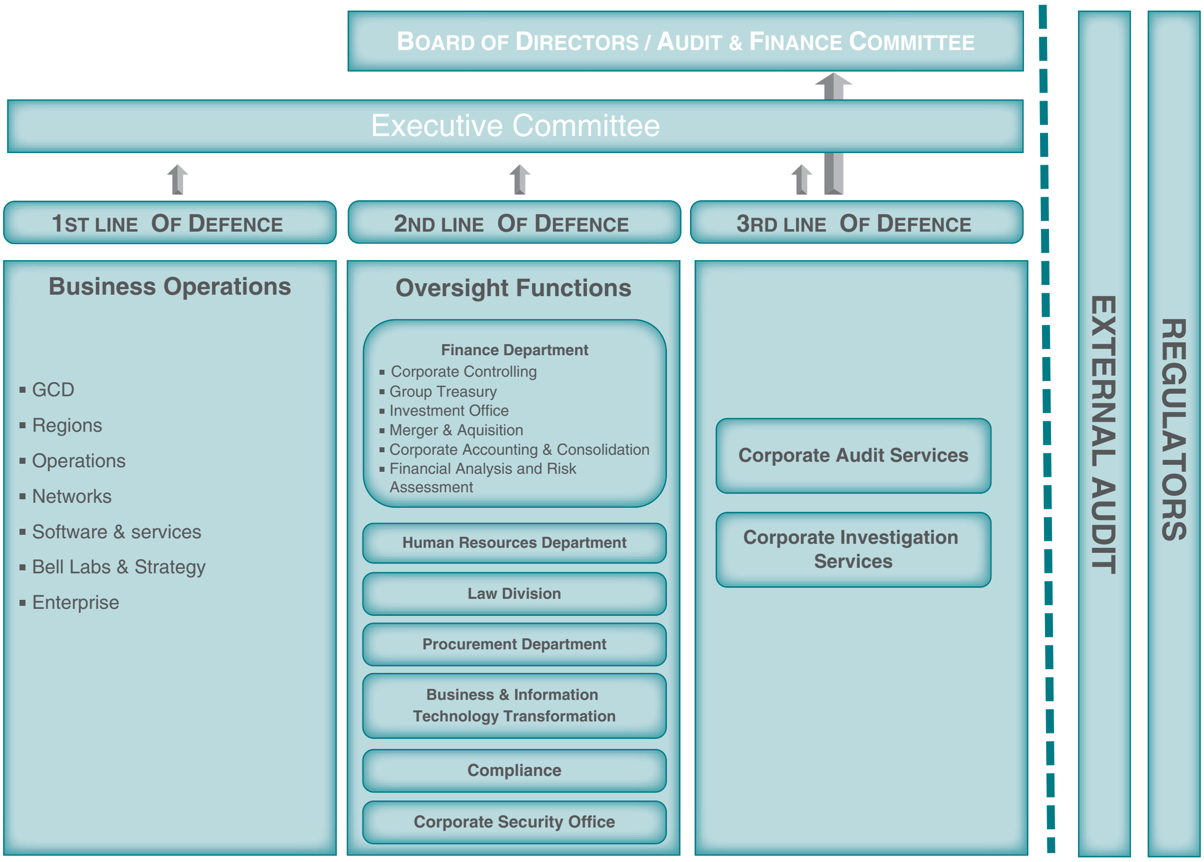
One of the aims of our internal control and risk management system is to prevent and manage business risks and the risks of errors and fraud, in particular regarding accounting and finance matters. However, like any other control system, it cannot provide absolute assurance that these risks will be entirely excluded. However, it provides the Board of Directors and management the means to make sure that the following objectives are met:

- optimization of operations;
- reliability of the financial information;
- compliance with existing laws and regulations.

The system is based on 3 main principles:

- shared responsibility: internal control relies on the resources of the entities and/or the responsibility of each employee, which is based on a system of delegation of authority, enabling to implement the Group’s policies consistently. Each manager has the duty to control in an efficient manner the activities (s)he is responsible for;
- identification and compliance with common standards and procedures: formalizing standards and procedures and communication of the framework to all members of the Group is vital in the internal control process;
- segregation of duties: the general set-up of the system must reflect the distinction that exists between the people who execute the transactions and those who validate and control them.

The below chart represents the concept of the "3 lines of defence" as laid out by the IFACI (French Chapter of the IIA –Institute of Internal Auditors), and applied to Alcatel-Lucent. The related components of the chart are further detailed in the subsequent sections.



B. RISK MANAGEMENT SYSTEM

Organization and components

The Executive Committee has an oversight and controlling responsibility for Enterprise Risk Management (ERM).

Within the Group Treasury, the Risk Management and Insurance department (DAGRI) is entrusted with the ERM identification-assessment-monitoring and reporting for Enterprise-level risks which comprise financial, operational, strategic, legal and compliance and human resources related risks.

Each key risk is addressed by a risk owner who defines in liaison with the Executive Committee members, the action plans required to mitigate the exposure of the Group, to such key risk and performance indicators.

Actions can be either recurrent or corrective ("ad hoc"). The action plans are monitored on a quarterly basis through the performance indicators. The reporting on key risks and their mitigating actions is complemented, where relevant, by the presentation of developing risk areas.

Completed corrective actions are turned into control activities, as needed, and the level of control of the relevant risk is re-evaluated. The risk identification process and the key risks are regularly presented to members of the Executive Committee as well as the Audit and Finance Committee of the Board of Directors.

Financial Risk Management is coordinated within the Group Treasury as part of the overall ERM framework. Its purpose is to manage the liquidity, cash and pension investment, foreign exchange, credit and interest rate risks of the Group.

Supporting this department are policies on:

- credit risk;
- project finance;
- collections;
- banking;
- cash management and investment;
- pension investment and governance; and
- interest rate risk.

On a quarterly basis, these risks are discussed at the Financial Risk Management Meeting which includes participants from the Group Treasury, Investment Office, Corporate Audit Services, Corporate Controlling, Corporate Accounting, Financial Analysis & Risk Assessment, and Tax.

The ERM process is fully integrated within the "Insurance & Risk Management Policy" maintained by the Group which is composed of:

- the Insurance and Risk Management Policy; and
- the Risk Engineering Principles,

which aim at protecting employees, the assets and the environment, while ensuring the continuity and development of the Group's activities, and which address the following elements:

- identification and analysis through an on-going holistic risk identification process;
- risk prevention and control policy to reduce the frequency and limit the magnitude of those risks that materialize;
- business impact analysis concerning the Group's activities to assess the potential impact of an adverse event affecting its industrial processes or resources;
- business continuity management;
- crisis management;
- a global approach to achieve the most cost-effective insurable risk transfer and alternative risk financing, for risks that are not retained by the Group.

Insurance

Insurance is fully integrated within the proactive "Insurance and Risk Management Policy" maintained by the Group.

The coordinated risk identification and analysis and risk mitigation policy allows to properly design:

- an appropriate level of risk retention;
- a coordinated approach for cost-effective risk transfer or alternative risk coverage for risks that are not retained in full.

However, there can be no assurance that actual losses will not exceed the limits, nor that they would not fall within the exclusions of the insurance policies, due to the lack or limitation of coverage available at cost effective terms.

DAGRI issues an internal executive report listing the key identified risks and their treatment.

Processes

The ERM team develops a list of risks based on two main processes in consideration of the global risk management standards developed by various policy organizations: 1) a regional and business unit identification process and 2) reviews with members of the Executive Committee or the designees. The ERM team then applies various filters to determine which risks to capture and address at an enterprise level and the nature of the actions and resource deployment required to mitigate identified risks.

Specific monitoring procedures apply to the risks associated with the Group's businesses. With respect to the Group's Technology risk, for example, we try to mitigate the risks associated with our technology through a program geared to continuously scouting for new technologies, in order to detect them early, and make appropriate investment decisions. With respect to emerging external technologies we analyze their impact on our own technology choices.

We also rely on an incubation/innovation internal structure we keep in place in order to monitor and eventually embrace new technologies that we believe would have an impact on ours. In addition, we have put in place a system monitoring important new technology, networking and market developments.

With respect to our use of external manufacturing organizations, distribution centers and suppliers, we monitor on a regular basis supply risks related to single and critical sources.

3

We have developed an overall contingency plan for mitigating risks with each of our transportation providers and for each major distribution site in our global logistics network. Risks associated with the international transportation of our materials are mitigated through the use of dual transportation companies on key lanes, involving a wide range of airlines and shipping lines that in turn use both direct and indirect routings. We have put in place a monitoring mechanism to try to minimize the risk of a major disruption, whether natural or man-made.

With respect to customer credit approval process and risks, we engage in a thorough credit approval process prior to providing financing to our customers or guarantees to financial institutions, which provide financing to our customers. Any significant undertakings have to be approved by the Project Finance and Credit department, and in some cases, be assessed by a central Financial Analysis and Risk Assessment Team, each independent from our commercial departments. We continually monitor and manage the credit we have extended to our customers, and attempt to limit credit risks by, in some cases, obtaining security interests or by securitizing or transferring to banks or export credit agencies a portion of the risk associated with this financing.

Interaction between risk management and internal control

The ERM results are shared with Corporate Audit Services to prepare the half-year internal audit plans. In turn, the audit results are taken into account for the evaluation of the Group's key risks.

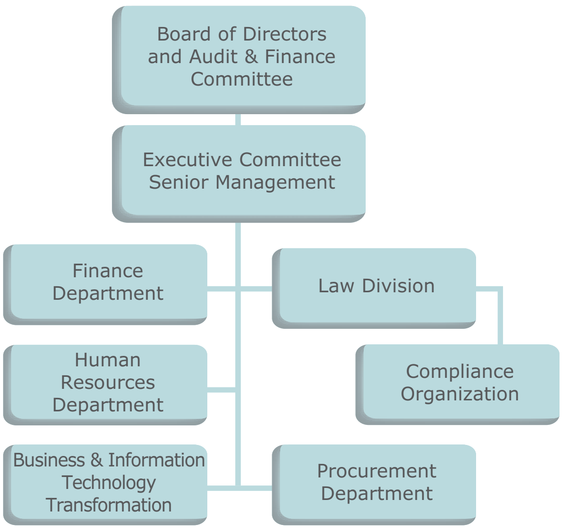
The recurrent mitigating actions identified to manage the key risks through the ERM process are integrated into the internal control activities. The controls and procedures that are part of the internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, applied in the preparation of accounting and financial information, are explicitly identified. The key risks are reviewed by the members of the Executive Committee who ensure the deployment of specific mitigation plans and the adequacy of the internal control so that these risks are covered.

The ERM key risks are taken into account in the preparation of Section 3 "Risk Factors" and specifically in Section 3.1 "Risks relating to the business" of the Alcatel Lucent 's annual report on Form 20F.

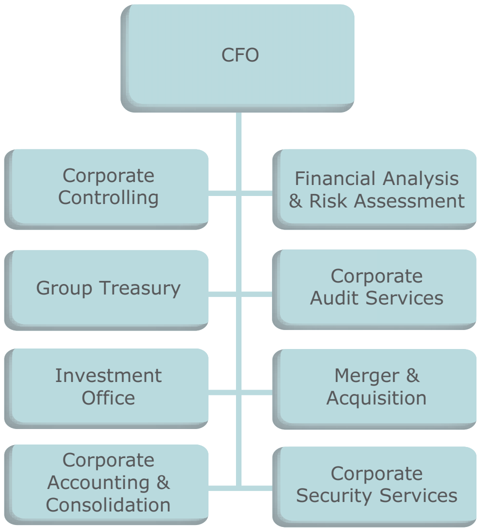
C. THE KEY PLAYERS INVOLVED IN INTERNAL CONTROL AND IN THE RISK MANAGEMENT

The following describes the Group's organization up to December 31, 2012.

The graph hereunder represents the departments associated with internal control and risk management. Each department has the resources, the information systems and the procedures which enable it to exercise control and monitor its own internal control and risk management system.



The Finance Department plays a key role through the different departments it is composed of, as shown in the graph below:



Board of Directors and its Audit and Finance Committee

As the role of the Board of Directors is one of management oversight and control, it contributes in ensuring the efficiency of the system of internal control through the competency and accountability of its members, the clarity and transparency of its decisions as well as through the vigilance expertise of its Audit and Finance Committee.

In accordance with its Operating Rules, the Audit and Finance Committee plays a leading role in accounting and financial matters since it is responsible for monitoring issues relating to preparing and auditing financial reporting under the responsibility of the Board of Directors. More specifically it is in charge of monitoring (i) the financial reporting process, (ii) the effectiveness of the internal control and risk management systems, (iii) the statutory audit of the annual accounts and consolidated accounts and (iv) the independence of the statutory auditors.

The Audit and Finance Committee, which is composed of four independent members of the Board of Directors, verifies, at meetings attended by the Chief Financial Officer and the Statutory Auditors, that internal procedures to collect and verify financial information are designed and effective. It regularly reviews the functioning and organization of the Internal Audit Department, its audit plan and main audit reports. It also examines the risks that the Group may be exposed to and assesses their monitoring.

Executive Committee and Senior Management

During fiscal year 2012, the Executive Committee composed of the Chief Executive Officer and senior executives in charge of the following regions and activities: Americas Region and Strategic Alliances; Asia Pacific Region; Europe Middle East and Africa Region; Networks; Software, Services and Solutions and Strategic Industries; Enterprise; Global and Customer Delivery; Operations; Finance; Human Resources & Transformation; Bell Labs and Strategy; Corporate Marketing & Communications; Business and IT Transformation.

The Executive Committee is mainly in charge of the Group's strategy and organization, policies to be implemented, long-term financial planning and the human resources strategy. It is responsible for ensuring that the Group's plans and projects are implemented, controlling the performance of each business segment and allocating resources to the different business segments.

Senior Management is directly responsible for the internal control system. In this respect, the Chief Executive Officer ensures that effective internal controls exist within the Group. He defines the internal control policies and supervises the implementation of the various components of internal control. Within each entity of the Group, the senior executives are responsible.

On September 10, 2012, the Chief Executive Officer announced the implementation, since January 1st, of a new operating model leading in particular to simplify the Executive Committee. At March 7th, 2013, the Executive Committee is composed of the CEO and 5 senior executives in charge of COO/CFO, Performance Program & Managed Services, Global Customer Delivery, Networks & Platforms Business Group and Global Sales & Marketing.

Compliance Organization

Alcatel Lucent has implemented and is continuing to enhance a compliance and ethics program involving a set of methods, principles and controls to ensure, to the extent possible, that the current legislation and regulations, as well as the Group guidelines, principles and policies are respected. Alcatel Lucent's Chief Compliance Officer oversees the implementation and continuous enhancement of this program to reflect current and evolving legal requirements, international standards and the standards of behavior set forth in the Alcatel Lucent Code of Conduct.

In 2012, ALU established the Chief Compliance Officer function that reports directly to the General Counsel, with direct access to the CEO and the Audit and Finance Committee. Consistent with this change, the Group formed a new Compliance Organization, thereby enhancing existing compliance resources and centralizing key compliance functions under the Chief Compliance Officer, including the Anti-Corruption Program Office, Privacy and Data Protection, and the Regional Compliance Leaders. In addition, the Corporate Investigation Services organization has transferred to the new Compliance Organization from Finance department.

The Compliance organizations responsible for coordinating and supervising implementation of the compliance and ethics systems within the Group, which are fully integrated into its commercial activities and are designed to avoid, detect and otherwise minimize commercial and legal risks. The Office of Business Integrity & Compliance serves as the key interface with the Group's employees, providing them with guidance on ethical business conduct and information about the Group's ethics and compliance policies and programs.

The **Corporate Investigation Services organization** which is now attached to the Compliance organization administers the Corporate Compliance Hotline and performs investigations (globally) of all allegations impacting accounting, internal control & audit related issues, Compliance and Code of Conduct incidents, and selected security breaches.

The Alcatel Lucent **Ethics and Compliance Council** was established in February 2007. It is comprised of the Chief Compliance Officer and representatives from of the following departments: Law, Audit and Finance, Human Resources & Transformation, Communications, Public Affairs, Business & Information Technology Transformation, Procurement & Design-To-Cost, Corporate Security, Global Delivery and the Office of Business Integrity & Compliance. This Council meets every other month and is responsible for overseeing the strategic design and implementation at the Group level of an integrated and robust ethics and compliance system.

In the field, the Operating Unit Compliance Council is responsible for developing, implementing and monitoring compliance plans throughout the Group. This Council is comprised of the Compliance Leaders for the various business segments, Regions and Corporate Centers. The Council meets every other month and is accountable for implementing the elements of the Group's ethics and compliance program. The 2012 program focused on the continued enhancement of the overall business integrity program, with particular attention to the following areas:

- Embedding a culture of integrity across the Group by reinforcing a strong tone at the top, as supported by the Chief Executive Officer, and enhancing the role of people managers;
- Reinforcing Senior Leader ownership of business integrity, as well as overall business accountability for program implementation and results;
- Increasing regional leadership and oversight for ethics and compliance across the business.

The Group continued to implement the "zero tolerance" policy consistent with established regional and corporate compliance resolution processes. In addition, the Group continued to execute the company mandate to terminate the use of agents and consultants in the conduct of our commercial activities.

In addition, the Group implemented a comprehensive global ethics and compliance training program, deploying approximately eight specialized compliance courses targeted to key stakeholders. Targeted compliance areas included Information Security Policy Overview, National Security Agreement (NSA) Access Control, NSA New Services, NSA Itemized Position List Change Process, Intellectual Property

Rights For Sales, Solutions & Marketing, Intellectual Property Rights Series (4 modules), Ethics & Integrity Overview, and Preventing Harassment & Discrimination in the Workplace.

In addition, the Office of Business Integrity & Compliance deployed Leading With Integrity training to People Managers to further support managers as they lead and manage work teams and business relationships with a priority on ethics and integrity.

In 2012, the Group executed a comprehensive communication plan focused on enhancing a culture of business ethics. Under the leadership of the Office of Business Integrity & Compliance, the Group deployed a broad range of communications through various media, targeted around establishing and maintaining a corporate culture of integrity overall, and directed, in particular, at middle management. In addition, the Group was selected as the Dow Jones Sustainability Index Industry Supersector Leader in the Communication Technology Sector, achieving a significant score of *99/100* in the Codes of Conduct, Compliance, Corruption and Bribery Category.

The Group continued to implement the global compliance risk assessment process to identify potential compliance issues related to the group's key compliance program areas. Annually, the program owners for each of the referenced compliance program areas provides an initial risk analysis, with related risk factor, to each business unit based upon their knowledge of the business and the nature of the risk overall across the company and within each business unit. With this information, each business unit then conducts a "deep dive" compliance risk assessment within their organization to validate and otherwise supplement the initial assessment. These "deep dive" assessments are focused on identifying potential program gaps and attendant risks across the business for each of the key compliance program areas. Working with the program owners, each business unit is responsible for developing and implementing detailed risk mitigation plans to address identified issues and to otherwise close the gaps. To ensure full alignment across the company, each business unit compliance risk assessment is reviewed, approved and signed-off annually by the respective Alcatel Lucent Senior Leader. The Group achieved 100% Business Leader Sign-off on the respective risk assessments in 2012.

Alcatel Lucent is a member of the World Economic Forum, Partnering Against Corruption Initiative (PACI), the Anti-Corruption Committee of the International Chamber of Commerce (ICC) and Resisting Extortions and Solicitations in International Transactions (RESIST).

Finance Department

Within the Finance Department, the following departments participate in the internal control and risk management system:

- The **Corporate Controlling department** is in charge of preparing the budget, the monthly, quarterly and annual consolidated financial data, and the financial data forecast. In coordination with the operational and financial management of the regions, product segments and subsidiaries, it provides regular monitoring of the operations of the Group;
- The mission of the **Corporate Accounting and Consolidation department** is, in particular, to prepare published consolidated financial statements and to produce and disseminate applicable accounting policies and procedures within the Group, to ensure they conform to current laws and accounting standards concerning the preparation and publication of financial statements, and that such policies and procedures are properly applied, and also to ensure that the Alcatel Lucent parent company statutory accounts and consolidated financial statements are published;
- **The Financial Analysis & Risk Assessment organization** ensures that risks inherent to the Group's commercial projects are properly assessed and mitigated by the regions in the business decision-making process. In 2012, this function has conducted together with the regional Risk Assessment organizations, a number of actions primarily aiming at improving the quality of the risk assessment deliverables through e.g. training sessions and best practices sharing, and at strengthening the adherence to the approval process of commercial offers and contracts among the commercial teams; a specific attention has been paid this year to the contract terms & conditions impacting inventories and cash flow;
- **Corporate Audit Services (CAS)** has direct access to the Chief Executive Officer and assists the Executive Committee in assessing the effectiveness of Alcatel-Lucent's Enterprise Risk Management, System of internal controls and Corporate Governance. The Chief Audit Executive has also direct access to the Audit and Finance Committee (A&FC). To accomplish this activity and conduct its engagements, CAS has full access to all areas of the organization to assess risk within the enterprise. Its mission is centralized at Group level and is carried out by a team of approximately 45 auditors. The internal audit plan is developed bi-annually with the approval of the A&FC and the Chief Financial Officer (CFO). The Chief Audit Executive reports to the A&FC and CFO on the status of the audit plan and specifically on the effectiveness of the internal controls of reviewed domains (including Sarbanes-Oxley compliance); results of Anti-Corruption reviews; staffing requirements and Statutory Auditors fees. The results of the audit reports and the follow-up on the implementation of recommendations made by the audit team are closely monitored and results are shared with the A&FC and the Disclosure Committee.

  In 2012, the internal audit department has been certified by the IFACI (French Branch of the Institute of Internal Auditors–IIA), as a recognition of the team professionalism. This certification, granted by external experts, confirms that the internal audit function is independent and objective, competent and rigorous, focuses on areas of major importance for the organization, constantly strives to optimize the quality of services rendered and plays an active role in the company's governance practices.
- the **Corporate Security** Services (CSS) ensures protection of physical assets (people, buildings and premises, equipments) against external threats and loss prevention. It defines the security policies and procedures (travels, events, operations and activities), and provides tools for the information, the training and protection of entities and employees of the Group. It implements the organization

and policies for crisis management. For that purpose, CSS supports business travels and operations to ensure security of its employees, especially in the countries considered at high risk.

From October 2012, the Corporate Finance and Investment Office has been split into three departments:

- **The Group Treasury** is responsible for monitoring the business and financial risk management of the Group. This Office is composed of the Risk Management and Insurance department (DAGRI), Global Treasury, the Project Finance and Credit department. The Global Treasury team manages all cash, investment, foreign exchange and interest rate risks;
- **The Investment Office** is responsible for managing US pensions;
- **The Merger & Acquisition department** is responsible for managing all acquisitions and divestitures.

Business & Information Technology Transformation (B&ITT)

In 2012, the B&ITT organization focused upon minimizing risk and ensuring the effective governance and execution of IT-enabled business programs. The four Business Process Domain teams of Customer Experience, Business Support, Operations Processes, Portfolio & Product Lifecycle assured the delivery of agreed transformation business initiatives.

Governance of discretionary funds focused on business transformation are deployed utilizing three distinct levels of governance including the involvement of Executive Committee members within a Executive Committee Subcommittee, ensuring both transparent and effective approval and deployment of funds. In support of those investment decisions, the control of Project execution was assured through a mandatory Gating processes.

B&ITT manages an outsourced contract with HP to implement and support a large part of the Alcatel Lucent IT infrastructure and some key applications. In this operational framework, HP's support performance and transformation execution is monitored through contractual Service Level Agreements and Key Performance Indicators. This relationship is governed under an agreed structure between HP and the Alcatel Lucent Executive Committee.

The Global Service Management team performed service assurance of all IT applications and IT infrastructure, both HP, and non-HP, supported. The focus is to manage and minimize business risk by reducing outages, defining and improving change control procedures and performing key application upgrades to assure performance.

Underpinning and enabling the execution of agreed IT–enabled Business Projects and day-to-day Operating Performance; a Vendor Management Team ensured commercial control on all 3rd Party IT Vendors; and IT technology design and methodology is provided by Architecture, Methods and Governance.

Managing business and operational risk is further enhanced, in the areas of Cyber Security and IT Compliance, by:

- The appointment of a Chief Information Security Officer to strengthen our security capability to safeguard our IT systems and information from a growing, sophisticated, and global, cyber-security threat. The department ensures awareness of, and compliance to, all ALU security policies and procedures.
- Compliance Management was governed the B&ITT Finance Business Partner to coordinate SOX Compliance throughout the B&ITT organization, and our IT Outsourcing partner HP.

Disclosure Committee

The Committee is composed of representatives of some of the central functions: the Chief Financial Officer, the General Counsel, the Director of Corporate Controlling, the Consolidation and Accounting Procedures Director, the Tax & Trade Director and the Head of Corporate Audit Services. The Regions' and business groups' finance heads, the Group Treasurer, the Corporate Investigation Services Director as well as the Group's Statutory Auditors also attend the meetings of the Committee.

The Committee gathers and reviews the information on all Group significant events in order for the Group to publish quarterly, half-yearly and annual financial statements that include all disclosures or communications that may be necessary to accurately reflect the Group's status. The Committee assists the Chief Financial Officer in his assessment of the effectiveness of the internal control system and its relevance to the Group's organization.

In particular, the accounting principles that have a material impact on the presentation of the company's financial statements, the main accounting options and choices made and planned changes in accounting principles are presented in a specific memorandum communicated to the Audit & Finance committee and commented to its members if needed.

Human Resources Department

The Human Resources Department ensures we have the right talent at the right place at the right time supporting the business needs, via the following capabilities:

- Strategic Workforce Planning: Strategic Workforce Planning allows for the aligning of critical talent with the company's multi-year strategic direction, with respect to portfolio and financial performance, via business defined 'future' scenarios.
- Dialogue between managers and employees: Managers and employees participate in continuous dialogues to define objectives, assess performance and discuss strengths and areas of development as well as career options. The dialogue process ensures transparent, open discussions between each individual and their manager in line with company's global objectives.
- Employee Learning: Leveraging the strategic direction and outcome of the Dialogues between managers and employees as well as the Strategic Workforce Plan, prioritized employee learning is put in place to increase the

professional capabilities of our employees. Alcatel-Lucent University also trains employees to support the products and solutions sold to customers.

- Leadership Pipeline and Technical Ladder: A renewed Leadership Pipeline process enables the early detection of current and future high potential leadership talent at all levels in the company. Accelerated development offerings are tailored to different readiness horizons for those identified in the Leadership Pipeline. Growth of skills & competences for technical employees is facilitated via the Technical Ladder initiative. Already deployed in key R&D areas, and under development to expand across the company, the Technical Ladder initiative offers technical employees opportunities to excel in their expertise; providing career pass visibility up to the highest levels of the Company and clear recognition among their peers.
- Career Mobility: Career mobility is key to building Alcatel-Lucent's human resource capabilities. By increasing the visibility of required skills & competencies for a position, internal career mobility is reinforced by the Company's Internal Job Opportunity Market (IJOM). Designed to promote career growth and advancement opportunities within the Company, IJOM creates an open and fair environment for employees to seek roles that best fit their career interests and motivation.
- Corporate Responsibility: As a world-wide player with a presence in 130 countries and cultures, diversity in all aspects is a key driver for ensuring a rich talent mix in Alcatel-Lucent. Both gender and generation diversity are key active global initiatives driven by leaders and HR to improve diversity throughout the organization.
- HR Efficiency & Effectiveness: Ensuring that HR delivers services to employees, managers and HR professionals in the most efficient and effective ways, adapted to our global presence. It includes: global compensation surveys in order to insure that we are positioned in terms of base salary and total target cash compensation at the right level vs. the market; development of common services and tools platforms through Shared Service Centers located in various geographies; streamlining common processes for talent management; and a renewed business model for payroll with global partnerships.

Law Division

The Law Division, which reports directly to the Chief Executive Officer, comprises 135 lawyers throughout the world.

Within the general framework of its mission, the Law Division provides legal advice and counsel to all entities of the Group with respect to the specific issues faced, over a wide range of areas and across multiple jurisdictions. Legal support to the various entities is provided by local lawyers.

During the financial year, the Law Division has notably:

- reviewed the policy related to the enforcement, the updating and the storing of the insider trading list which defines who the insiders are and set up the process of following up, storing and communicating the list, as necessary;
- implemented works committed under the joint liability of the Finance Department and the Law Division leading to the creation of an IT tool dedicated to the management of the delegations of authority. The objective being to harmonize the delegations of authority and the existing functions through the Group;
- continued to draft, and otherwise update and enhance, key compliance policies and procedures and, in particular, policies and procedures related to Anti-Corruption compliance. As necessary, this program includes development and deployment of relevant awareness and training to give employees a clearer understanding of the laws and regulations which apply to the Group. The policies and procedures are generally translated into the standard Group languages, with additional languages as necessary to ensure understanding;
- reviewed the global information of the database named "Governis" which tracks the share ownership of the Group subsidiaries and investments, transactions affecting capital and securities, regulated agreements and plurality of directorships and offices. This review consisted in asking each identified manager to confirm or update the information of the database;
- re-organized the management of claims and litigation to centralize the function and further enhance our case handling and reporting capabilities.

Procurement Department

The Procurement Department has implemented the following internal control framework by announcing the following policies:

- Policy on Subcontracting aims at ensuring that subcontractors are not used as vehicles to fund or to support fraudulent or illegal activities, and that, in accordance with the Group's general policies, all Group personnel requiring the hiring and use of third parties as non-employee workers, service providers, contract employees, consultants or subcontractors of any kind ("Subcontractors"), must adhere to the existing policy and directive;
- Policy on Competitive Tendering covers the pre-selection and selection of the suppliers and specifies that the supplier selection should be made according to objective criteria, in line with the Alcatel Lucent suppliers Code of Conduct and with the applicable Procurement Process Descriptions and Procedures.
- Policy on Mitigating Supplier Risk covers the expectations for assessing and mitigating the risks associated with suppliers and sets the expectation for review, approval and recording of Directed Sourcing occurrences. The risk assessment of suppliers covers anticorruption compliance and 11 predefined operational criteria:
    1. financial strength,
    2. management and staff culture,
    3. pricing,
    4. risk management,
    5. manufacturing capacity and responsiveness,
    6. service and support,

7. quality & reliability,
8. logistics,
9. corporate responsibility,
10. strategic fit with Alcatel Lucent,
11. innovation;

- Policy on Responsible Purchasing specifies that, in line with the Group's Corporate Responsibility undertaking and in accordance with its Code of Conduct with the principles and rules promoted by the International Labor Organization and by the UNO, the Group is fully committed to promote Corporate Responsibility (CR) in its relationship with its suppliers by:
  - ensuring that all contractual documents signed with suppliers include a supplier commitment to adhere to the Electronic Industry Citizenship Coalition (EICC) code of conduct version 3, the Global Compact principles and comply with environment, health and safety requirements as applicable to the business of the supplier,
  - assessing suppliers on their corporate responsibility practices,
  - requesting improvements from suppliers who are not reaching the expected level by working on improvement plans and sharing our values and principles,
  - integrating CR practices in the selection and management of suppliers.
- Policy on Conflict Minerals states our commitment to protect human rights and to take steps to avoid contributing to issues connected with conflict minerals. We are implementing due diligence practices and processes to identify the source of the minerals used in company products.
- Policies on Supplier Management enables the group to effectively manage (including providing feedback) its third-party resources, on predefined criteria such as quality, corporate responsibility, etc…;
- Policy on the implementation of the "Alcatel Lucent Code of Conduct" in the Supply Chain establishes rules that all members of the Procurement community worldwide must strictly comply with. These rules also apply to employees leaving or having left Procurement, as well as to any Group employee in contact with suppliers or who could influence any supplier selection.

D. CODE OF CONDUCT

In 2009, the Group published a revised Alcatel Lucent Code of Conduct with the requirement for all employees and members of the Group's Board of Directors to review the document and acknowledge their understanding of its provisions. The revised Code of Conduct establishes, in a streamlined manner, the Group's standards for ethical business conduct and is binding on all employees globally in their daily activities, as well as in our relations with our competitors, suppliers, shareholders, partners and customers. The standards set forth in the Code of Conduct are not only based upon the laws and regulations in force, but on the notions of integrity, respect, equity, diversity and ethics.

In 2012, to continue to support overall employee awareness of the global standards of conduct, employees were required to review and acknowledge their understanding of the Group's Code of Conduct.

The Code of Conduct is available on the Group Intranet website in twenty-two languages and can be viewed by third parties on the Alcatel Lucent external website.

E. COMPLIANCE HOTLINE & COMPLIANCE ISSUE RESOLUTION PROCESS

Corporate Investigation Services (CIS) has established a method of reporting actual or suspected violations of Group policies or laws and regulations through the implementation and management of a Compliance Hotline. The Compliance Hotline was implemented compliant with applicable local laws.

Within the hotline intake process, all issues reported will be directed to the proper local or regional organizations for follow up and investigation. Final disposition of an incident is decided jointly by local, regional or Corporate Compliance Human Resources, Law, line management and the investigating body representative.

All calls/reports to the Compliance Hotline remain confidential and the identity of those reporting information will be protected in accordance with applicable laws and Group policy. The hotline intake process also allows for incidents to be reported anonymously where permitted by local laws. Also, the Group has a strict non-retaliation policy that protects anyone who, in good faith, reports whatever he or she believes to be a violation of law or company policy.

F. DELEGATIONS AND SUB-DELEGATIONS OF AUTHORITY

The implemented measures take into account the operational structure of the Group in order to meet, as far as possible, the hierarchical levels.

Once the needs and risks regarding the various activity areas are defined, the delegatees are to be determined considering that they have the authority, the competence and the necessary means to accomplish their tasks.

In Alcatel Lucent, each delegate signs an individual delegation of authority, which indicates precisely his/her tasks and relevant responsibilities and receives general information as a reminder of the guiding principles which should be complied with.

This delegation of authority is accompanied with a guide elaborated to provide general information to increase awareness of delegatees on the stakes related to delegation of authority.

3.2 ACCOUNTING AND FINANCIAL REPORTING

This system applies in particular to the internal control procedures relating to the preparation of financial statements and to the processing of financial and accounting information.

A. ACCOUNTING STANDARDS

The Group's accounting procedures and organization are compiled in a set of documents which enable an understanding of, and control over, the accounting and financial information processing system. These procedures are prepared under the Chief Financial Officer's responsibility and are updated regularly to reflect changes in the accounting standards and rules applicable to the Group. The Statutory Auditors review them prior to distribution. This also applies to other procedures aimed at controlling risks, in particular those regarding the Corporate and Regional Risk Assessment processes and off-balance sheet commitments.

The application of International Financial Reporting Standards (IFRSs) is mandatory for all consolidated financial statements of the Group published after January 1, 2005, since the Group is listed in a European Union country.

A special effort has been made to explain the choices made, where appropriate, regarding the interpretation or application of IFRSs, both internally (by means of accounting policies and procedures available on the Group's Intranet site) and externally (by means of notes to the financial statements), in order to apply consistently the accounting standards within the Group and in a transparent manner to outside third parties.

B. THE EXISTING SYSTEM

The Finance Department is responsible for preparing the Alcatel Lucent parent company statutory accounts and the consolidated financial statements. The consolidated financial statements are used internally to monitor and analyze the performance of the Group's various businesses. A critical analysis of the historical and forecast financial data takes place at regular meetings with the financial and/or operational managers of the product segments and organizations.

During these meetings, the financial data is analyzed and sensitive issues are discussed. This process is formally reflected in position papers on significant issues and is also particularly intended to ensure that financial information received from subsidiaries is controlled and reliable.

The Corporate Accounting and Consolidation department ensures that the information included in the Alcatel Lucent parent company statutory accounts and the consolidated financial statements is presented fairly and complies with the Group's rules and procedures. The department is responsible for publishing the Alcatel Lucent parent company statutory accounts and the consolidated financial statements and at each closing makes sure that they comply, where appropriate, with the standards applicable to listed companies.

The activities of the Finance Department cover in particular current transactions (sales, purchases, costs, capital employed, cash flows, etc.), valuations (testing of goodwill for impairment, etc.) and the processing of one-off transactions (financial transactions, changes in the consolidated group, etc.). The analyses carried out by the Financial Control Department and the Corporate Accounting, Consolidation, Reporting & Systems Department reinforce internal control over the financial and accounting information addressed to the shareholders. Both departments report material information to the Disclosure Committee at each quarterly closing.

Internal Audit's assignments, which are directly or indirectly linked to financial reporting, represent an important part of the internal audit plan. These assignments are intended to ensure that relevant controls exist and are operating. At the end of each audit assignment, Internal Audit systematically follows up on the implementation of the corrective actions that are based on its audit recommendations.

As a company listed in the United States, Alcatel Lucent is subject to Section 404 of the Sarbanes-Oxley Act, which requires the Chief Executive Officer and the Chief Financial Officer to annually assess the effectiveness of the internal control and the procedures for preparing accounting and financial information.

In close co-operation with legal entities, a top-down and risk-based approach is used to:

- select and identify the entities and processes that are key to the preparation of the Group's accounting and financial information;
- document processes (flowcharts and/or narratives) considered important for the preparation of the financial statements;
- identify the risks associated with these processes to help improve fraud prevention and avoid potential misstatements of the financial statements;
- define and document the existence of key controls covering these major risks; and
- assess the effectiveness and implementation of the controls through tests carried out by the Internal Audit Department.

These actions are part of a process that aims at continually improving internal controls and they include the preparation of action plans. The approach was developed within 24 companies of the Group. It enabled us to conduct an in-depth assessment of our internal controls over financial and accounting reporting, pursuant to Section 404 of the Sarbanes-Oxley Act, a summary of which is given in Sub-Section C below.

An additional procedure was developed to verify the actual controls over the financial reporting process. This procedure was based on a self-assessment process and questionnaire involving 95 companies of the Group.

The self-assessment questionnaire includes 80 control points, taken from the five components of the COSO framework:

- the control environment: the culture of control within the company;
- risk assessment: assessment of internal and external factors likely to affect the company's objectives and performance;
- control activities: the rules and procedures that ensure implementation of the risk management policies instituted by senior management;
- information and communication: the process that ensures that relevant information is identified and passed on in a timely manner; and
- monitoring: process aimed at ensuring that the internal control system is properly designed, effectively applied and suitable for the organization.
- The Chief Financial Officer of each legal entity is in charge of this self-assessment, keeps records of all deficiencies identified and implements corrective action plans.

The purpose of this process, within the framework of the Disclosure Committee, is to give assurance to both the Chief Executive Officer and the Chief Financial Officer that procedures in force within the Group provide accurate and reliable financial information.

C. ASSESSMENTS MADE IN THE CONTEXT OF THE SARBANES-OXLEY ACT

In connection with the Annual Report on Form 20-F filed by Alcatel Lucent with the SEC, and in accordance with the provisions of Section 302 of the Sarbanes-Oxley Act, the Group's senior managers, and in particular the Chief Executive Officer and the Chief Financial Officer, have conducted an assessment of the effectiveness at December 31, 2012, of the disclosure controls and procedures, as defined by U.S. regulations, and have concluded as to their effectiveness as set forth in the 2012 20-F.

In addition, pursuant to Section 404 of the Sarbanes-Oxley Act, the Chief Executive Officer and the Chief Financial Officer prepared a report on internal control over financial reporting within the Group, which states that:

- the Chief Executive Officer and the Chief Financial Officer are responsible for the establishment and maintenance of an appropriate internal control process for financial information;
- the Chief Executive Officer and the Chief Financial Officer carried out an assessment as of December 31, 2012 on the effectiveness of internal controls over financial reporting within the Group. This assessment was conducted in accordance with the criteria defined in the internal control framework selected by the Group (COSO);
- the Chief Executive Officer and the Chief Financial Officer concluded that internal controls over financial reporting within the Group was effective at December 31, 2012; and
- the Statutory Auditors who audited the financial statements at December 31, 2012 included in Form 20-F confirmed that internal controls over financial reporting within the Group was effective at December 31, 2012.

3.3 STATUTORY AUDITORS' REPORT ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French commercial code (*Code de commerce*), on the report prepared by the chairman of the board of directors of Alcatel Lucent

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of Alcatel Lucent and in accordance with article L. 225-235 of the French commercial code (*Code de commerce*), we hereby report on the report prepared by the chairman of your company in accordance with article L. 225-37 of the French commercial code (*Code de commerce*) for the year ended December 31, 2012.

It is the chairman's responsibility to prepare and submit for the board of directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French commercial code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- confirm that the report also includes the other information required by article L. 225-37 of the French commercial code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairman of the board of directors in accordance with article L. 225-37 of the French commercial code *(Code de commerce)*.

Other information

We confirm that the report prepared by the chairman of the board of directors also contains other information required by article L. 225-37 of the French commercial code *(Code de commerce)*.

Neuilly-sur-Seine and Paris-La Défense, March 11, 2013

The statutory auditors
French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Jean-Pierre Agazzi	Jean-François Ginies

4 SUSTAINABILITY

4.1 OVERVIEW

4.1.1 SUSTAINABILITY APPROACH

Our priorities and values

Our Sustainability activities focus on three core priorities:

- The environment
- Our people
- Digital inclusion

These priorities were underpinned by three key values:

- Zero tolerance for compliance violations
- Collaboration only with partners who support our values
- Active engagement as citizens in communities where we do business around the globe

Foundations of our sustainability strategy and reporting framework

Our sustainability strategy and reporting framework conform to the following key regulatory requirements and international sustainability frameworks:

Article 225 of France's Grenelle II law (July 10, 2010): Grenelle II requires companies to include information in their annual report on the environmental, social and societal impacts of their business activities and on their commitments to sustainable development – and to have an independent third party verification of the published information.

Global Reporting Initiative (GRI): Our Sustainability report is prepared according to the GRI sustainability reporting guidelines. The 2010 report earned a GRI Application Level of B+. The 2011 report earned an A+ Application Level. The 2012 report is being prepared at the time of this publication.

United Nations Global Compact (UNGC): Our sustainability report and company strategy conform to the United Nations Global Compact by:

- Incorporating information on our sustainability activities according to the 24 UN Global Compact Advanced Level assessment criteria
- Incorporating the principles of the UN's "Caring for Climate" eco-sustainability initiative in all our activities

In 2012, we ranked among the top 25 UNGC "Caring for Climate" performers for our commitments to setting goals, disclosing carbon emissions, and developing and expanding strategies and practices. We were also among the top quadrant of companies reporting according to the UNGC Advanced Level criteria.

Dow Jones Sustainability Initiative (DJSI): Our sustainability strategy is closely based on the Sustainable Asset Management (SAM) DJSI framework. In 2012, we were named Technology Supersector[1] Leader with a score of 87/100. This follows being named Leader of the Technology Supersector's CMT Communications Technology Sector in 2011 with a score of 86/100.

(1) The Technology Supersector includes the following activities: Computer Services & Internet, Software, Computer Hardware & Electronic Office Equipment, Semiconductors, and Communication Technology.

4.1.2 SUSTAINABILITY MANAGEMENT

Three main bodies are responsible for managing sustainability at Alcatel-Lucent:

Sustainability Council: This is the highest-level sustainability governance body within Alcatel-Lucent. Chaired by the CEO and the head of Sustainability, its members in 2012 included executives from the Executive Committee as well as two external advisors. The Council meets quarterly to set priorities, track progress on commitments and review sustainability strategy issues. It also provides perspective on potential risks and opportunities, and makes recommendations to the Executive Committee and Board of Directors on emerging and critical sustainability issues for the company at large where appropriate.

Sustainability Team: This team defines and drives the implementation of our sustainability strategy and initiatives worldwide, consolidating all the social, economic and environmental indicators used to monitor progress.

Sustainability Network: This network handles sustainability operations throughout the company. Members come from the various business groups, Bell Labs and departments such as Human Resources, the Office of Business Conduct, Governance, Purchasing, Risk & Crisis Management, Environment, Health & Safety, Operational Eco-efficiency & Sustainability, CTO Green Strategy and Eco-environmental Engineering.

4.1.3 SUSTAINABILITY PERFORMANCE AND REPORTING

We published 40 targets in 2012 in line with the Dow Jones Sustainability Index and UN Global Compact Advanced Level principles. These are available online.

The Alcatel-Lucent 2012 Sustainability – available from June 2013 – report complements and expands on the above. It is available at www.alcatel-lucent.com/sustainability.

4.2 ENVIRONMENT

4.2.1 OVERALL ENVIRONMENTAL POLICY

The Information and Communications Technology (ICT) sector has been recognized as having the potential to play a critical role in addressing challenges related to climate change. At Alcatel-Lucent, we understand our long-term success depends on helping our customers to respond to their environmental challenges – and on reducing our own direct environmental impact.

For these reasons, we have built environmental considerations into virtually every aspect of our business, following a three-part approach:

1. **Developing eco-sustainable networks:** Creating and bringing to market products, services and solutions that contribute to environmentally responsible end-to-end networks.

2. **Enabling a low-carbon economy:** Helping businesses and consumers reduce their respective environmental impacts with innovative applications and solutions.

3. **Reducing our carbon footprint:** Reducing our absolute carbon footprint from operations by 50% by 2020 compared to our 2008 baseline (At end of 2012, our footprint decreased by 29% compared to 2008).

This approach relies on our capacity for eco-innovation and our ability to play a leading role with key stakeholders. Bell Labs actively participates in open, collaborative partnerships and forums focused on establishing broad sustainability strategies and initiatives.

Governance

Three bodies are primarily responsible for environmental activities at Alcatel-Lucent:

- **The Green Operations Team:** The members of the Green Operations Team oversee operational sustainability issues linked to the environment and climate change. The Green Operations Team relies on a network of local leaders referred to Green Teams to ensure carbon footprint information is reported reliably and on time, and that local action plans are implemented properly.

- **The Environment, Health & Safety (EHS) Office** develops policies and compliance assurance programs to meet legal, customer and company requirements. It also provides technical support to local EHS representatives for implementation of EHS programs, and uses the EHS Management Systems approach to ensure compliance, continual improvement and performance in line with industry best practices.

- **The Chief Technical Office (CTO) of Bell Labs** addresses environmental initiatives and goals linked to products, services and solutions. In collaboration with product and research teams, the CTO looks for ways to minimize the environmental impact of our products throughout their lifecycle by developing and deploying eco-conscious design processes, practices and tools. Bell Labs' CTO also seeks to identify ways ICTs can be used to enable a low-carbon economy.

Implementation

Environment, Health and Safety Management System

Our EHS policy provides a framework for improving EHS performances while the Environment, Health and Safety Management System (EHSMS) facilitates the use of a common management model. The EHSMS is designed to identify risks, maintain compliance and promote EHS excellence. It provides an efficient and effective way to manage EHS issues associated with products, services and activities while cost-effectively pursuing continuous improvement in EHS performance. Our EHSMS continues to meet the needs of customers who increasingly insist on third-party certified EHS systems. Decisions regarding third-party certification are made at the local level based on risk, the nature of hazards, customer requirements and competitive advantage. We continue to drive this same EHS management approach through our supply chain to minimize the overall impact of our operations. In 2012, our system expanded as Alcatel-Lucent Shanghai Bell Managed Services obtained certification in Occupational Health and Safety Management Systems (OHSAS) 18001:2007.

EHS Compliance Audit Program

This program determines if the EHS programs at our facilities are properly implemented and effective, and assures management that the organization is operating in a manner consistent with EHS policy. Facilities are evaluated against a number of criteria including Alcatel-Lucent standards, international norms, and country-specific federal and local regulations. Each facility's EHS program is also measured against the established key performance indicator (KPI) metric of on-time completion of items identified during the audits.

In 2012, service delivery/installation operations were audited in the United States, Germany and Brazil as was a manufacturing facility in Sao Paulo, Brazil. All sites reviewed completed 100% of their action items on time.

Centralizing environmental information

In 2011, we implemented a new EHS reporting tool for collecting, reporting and analyzing sustainability metrics and information. The use of this tool improves data reliability for the annual sustainability reporting. Since January 2012, contributors at Alcatel-Lucent facilities have used the tool to increase the frequency of data input for energy usage, water usage, direct greenhouse gas emissions and waste generation to align with their receiving invoices (i.e monthly).

For the 2012 reporting:

- 100% of facilities within our real estate portfolio were accounted for within the tool.
- Of our 654 worldwide sites, 225 were assigned responsibility for managing complete data input within the tool, while the remainder utilized operational usage rate estimation algorithms.

Employee eco-awareness

We seek to inspire our employees to be aware of environmental issues. Examples include:

- Embedding customer satisfaction and energy performance into the company's new profit-sharing arrangement with employees in France
- Promoting speaking opportunities at events such as the ICC Green Growth Forum (and these opportunities are often promoted through blog posts, audio podcasts and Twitter sessions)
- Holding an Earth Week internal awareness campaign and running a "save energy" intranet series
- Producing videos such as "*Transforming Communications for a Sustainable Planet*"
- Maintaining and promoting our WWF Green Forum partnership
- Distributing EHS employee news via: email, our internal Engage social media platform and our EHSMS intranet website
- Holding a "Safety Slogan of the Day" campaign and a "Green Tip of the Day" campaign

In 2012, Alcatel-Lucent University delivered globally more than 12,000 training hours on EHS issues. Note: these training hours do not take into account other EHS awareness channels such as workplace "ergonomic guidelines", EHS topics covered in mandatory Code of Conduct training, or other communication vehicles as mentioned above.

In 2012, we conducted a global employee survey to provide accurate information about the commuting habits of Alcatel-Lucent employees. Sent to 10,000 employees and with a response rate of 27%, by extrapolation, the survey enabled us to calculate the carbon emissions associated with employee commuting. We also determined that Alcatel-Lucent's efforts related to environmental protection are rated good to excellent by 58% of its employees.

Environmental risks

Contingency planning and adaptation to environmental risks

In 2012, 80 real estate business continuity plans (BCPs) were in place to address environmental and other risks in terms of the potential loss of critical functions. The BCPs target locations with more than 500 employees (or with more than 200 employees in areas with elevated risks, such as proneness to earthquakes or political volatility). BCPs cover all critical real estate functions identified for a given location, allowing us to respond to diverse threats and systems that become material. Some plans — such as centrally managed plans within the corporate crisis management process and local emergency response plans — respond to particular hazards such as earthquakes and pandemics.

Provisions and guarantees for environmental risks

It is our policy to comply with environmental requirements and to provide safe, environmentally sound workplaces that will not adversely affect the health or environment of communities in which we operate. Although we believe we are in compliance with all environmental and health and safety laws and regulations, and that we have obtained all material environmental permits required for our operations and all material environmental authorizations required for our products, there is a risk that we may have to incur expenditures significantly in excess of our expectations to cover environmental liabilities, maintain compliance with current or future environmental and health and safety laws and regulations, or undertake any necessary remediation.

The future impact of environmental matters, including potential liabilities, changing carbon and environmental reporting requirements and the pricing of carbon emissions, is often difficult to estimate. We have modeled the potential pricing of carbon on our financials. Although it is not possible at this stage to predict the outcome of remedial and investigatory activities with any degree of certainty, we believe the ultimate financial impact of these activities — net of applicable reserves — will not have a material adverse effect on our consolidated financial position or our income (loss) from operating activities. As of 31 December 2012, our remaining outstanding balance related to our main provisions for environmental risks is €61.9 million.

4.2.2 POLLUTION AND WASTE MANAGEMENT

Laws and regulations

We are subject to national and local environment, health and safety laws and regulations relevant to our operations, facilities and products in every jurisdiction where we operate. These laws and regulations impose limitations on the discharge of pollutants into the air and water, establish standards for the treatment, storage and disposal of solid and hazardous waste, and may require us to clean up a site at significant cost. In the U.S., these laws often require parties to fund remedial action regardless of fault. We have incurred significant costs to comply with these laws and regulations and expect to continue to incur significant compliance costs in the future.

We constantly monitor legal and other developments that may affect the environmental or health and safety aspects of our activities, products or services. Compliance reviews are performed and appropriate compliance measures are implemented once applicable legal and other requirements are identified.

Remedial and investigatory activities

Remedial and investigatory activities are under way at numerous current and former facilities owned or operated by the historical Alcatel and Lucent entities. In addition, Lucent (now Alcatel-Lucent USA Inc.) was named a successor to AT&T as a potentially responsible party at numerous Superfund sites pursuant to the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”) or comparable state statutes in the United States. Under a Separation and Distribution Agreement with AT&T and NCR Corporation (a former subsidiary of AT&T), Alcatel-Lucent USA Inc. is responsible for all liabilities primarily resulting from or relating to its assets and the operation of its business as conducted at any time prior to or after the separation from AT&T, including related businesses discontinued or disposed of prior to its separation from AT&T. Furthermore, underthe Separation and Distribution Agreement, Alcatel-Lucent USA Inc. is required to pay a portion of contingent liabilities in excess of certain amounts paid out by AT&T and NCR, including environmental liabilities. For more information on the matter and, in particular, on the cleanup of the Fox River in Wisconsin, please refer to Section 6.7 “Contractual Obligations and Off-Balance Sheet Contingent Commitment”, sub-title “Specific commitments: Alcatel-Lucent USA Inc.”. In Alcatel-Lucent USA Inc.’s separation agreements with Agere and Avaya, those companies have agreed, subject to certain exceptions, to assume all environmental liabilities related to their respective businesses.

Monitoring and reduction

Waste

We have reduced the amount of waste [(1)] we generate by 34% (i.e. 8,859 metric tons) between 2008 and 2012.

In 2012, we established an objective to reduce the amount of landfilled waste[(1)] to 15% by 2015 (down from 36% in 2009).

(1) Hazardous and non-hazardous waste from our operations (excluding electronic waste)

Amount of landfilled hazardous and non-hazardous waste	
2009	36%
2010	28%
2011	25%
2012	22%

We have also a requirement stating that all Alcatel-Lucent and joint venture facilities and operations that generate or manage waste and byproducts that include hazardous waste and electronic scrap shall evaluate the possibility to reuse Alcatel-Lucent branded equipment within Alcatel-Lucent for maintenance or resale and reduce waste and scrap generation by applying pollution prevention and waste minimization principles and mechanisms at both process and facility levels.

Spills

We maintain a process for monitoring air emissions, water and soil discharges that seriously harm the environment in the countries on which we operate. No air emissions, water and soil discharges above any legal reportable quantities took place in 2012.

Noise

We monitor our operations and activities with regard to occupational noise and community noise regulations. In 2012, no noise-related issues were reported or regulatory citations written regarding either community or occupational noise.

Take-back, remanufacturing and recycling

Alcatel-Lucent offers global product take-back, remanufacturing and recycling services for any type of telecom products regardless of vendor. Members of our global network of approved recycling vendors collect and recycle products that have reached their end of life. Customers are provided with an online request form to arrange equipment pick-up. Where possible, we participate in public recovery systems.

In 2012, the company managed 7,481 metric tons of electronic waste. Of this, 389 metric tons of equipment and components were remanufactured and/or resold (142,470 circuit packs and 957 configured piece of equipment). In 2012, we also avoided producing over 12,100 metric tons of CO2e by remanufacturing new equipment and components (instead of manufacturing). Approved recycling partners recycled 6,780 metric tons. Almost 97% was recycled or re-sold, less than 2% was treated by incineration and less than 2% was disposed of via secure landfill. In 2012, twenty six new product families were added to our remanufacturing and resale operations. The overall number of Alcatel-Lucent product families under current remanufacturing/resale process grew from 45 in 2008 to 88 in 2012.

4.2.3 SUSTAINABLE USE OF RESOURCES

Managing materials

Measures to improve efficiency of raw materials use

Our life cycle assessment (LCA) approach evaluates the consumption of raw materials throughout the life cycles of our products. Data and results from LCA assessments inform continual improvements to achieve more efficient use of raw materials and energy at every stage of product life: raw material extraction, pre-processing, intermediate material and component manufacturing, final manufacturing and assembly, packaging, distribution and installation, use, and end-of-life reuse and recycling. These improvements are incorporated into our best practices for environmentally conscious product design, which include design guidelines and requirements such as:

- **Designing for standardization** which reduces parts inventories by increasing the use of "golden" catalogs and reuse of "golden" parts. Golden catalogs and parts are to be considered first in any new design or redesign in order to increase the commonality of such parts across the company. This promotes resource conservation and design simplicity. In 2012, golden catalogs were extended to all relevant commodities for board designs and applied to field installation materials. For example, Alcatel-Lucent equipment racks are standardized to only six reference designs, resulting in a common look and feel while simplifying rack interchangeability and stocking, which saves on material and energy consumption due to reduced inventories and logistics.
- **Common designs and design reuse** which increases parts interchangeability, provides common toolsets, and reduces component testing and qualification – ultimately lowering the quantities of parts and materials needed.
- **Accelerated innovation** to deliver technological and environmental innovations to market more quickly, making energy-efficient equipment that uses fewer materials and resources more readily available.
- **Eco-efficient product designs** that provide increased functionality (e.g., capacity, service, performance) per unit of electricity consumed while occupying less physical space, weighing less and using fewer types of materials. This has significantly reduced the amount of raw materials consumed in our products over their entire life cycles.

  For example, the new FP3 chip in our 7750 SR service aggregation router enables faster service delivery while consuming 50% less power than its predecessor. It also requires 30% less space, which means fewer components and raw materials go into its increased functionality.
- **Improved materials selection guidance** supporting optimal materials selection during the design phase to deliver increased efficiency in material consumption while offsetting other material and energy flows and environmental impacts. For instance, selecting aluminum with a high metal recycled content over painted steel for product chassis/cabinets can significantly reduce raw materials extraction requirements and produces a lighter-weight product that will consume less energy during shipping, installation, and end-of-life product takeback and recycling. Aluminum also needs fewer materials for corrosion and finish protection.
- **Product packaging** that directly reduces the amount of raw materials needed for replacement parts. For example, we recommend the use of static intercept bags in place of traditional ESD plastic bags. The static intercept bags yield a 40-fold eco-improvement by extending product shelf life and reducing parts failures due to better electrostatic protection.
- **Product logistics** that minimize parts inventories and reduce environmental impact through a "regional campus" manufacturing model that sees products made closer to customers.

Product materials content

In 2012, Alcatel-Lucent delivered 210,931 metric tons of equipment to market. To ensure our products make the most efficient use of materials, we analyze them to better understand the composition of both their component materials and recycled content, identifying opportunities for improvement.

The following is an example of the kinds of materials that make up one of our finished products:

9234e Base Station d2U (wireless product)	
Total weight of finished product (typical configuration supplied to customer)	139.6 kg
Metals	aluminium: 55.8 kg; copper: 35.4 kg; stainless steel: 10.7 kg; steel: 0.8 kg; other metals: trace
Percentage of metals in finished product	73.6%
Plastics	epoxy resin: 32.1 kg; ABS / polycarbonate: 4.5 kg; other plastics: trace
Percentage of plastics in finished product	26.2%
Other (e.g., ceramics, glass, elastomers)	0.2%

4

We work closely with our components and materials suppliers to use a high percentage of recycled input materials in raw materials processing and manufacturing. The following shows the percentage of recycled materials typically contained within our feedstock materials:

Percentage of recycled materials typically contained within feedstock materials	
Aluminium	40% avg.; extruded forms – up to 85%; sheet products – up to 63%; electronic components – up to 5%
Zinc	coatings – up to 36%; die castings – 10%
Lead	battery plates – ~50%
Tin	solder – up to 5%
Steel	47% avg.; structural parts – ~80%; rolled sheet goods – up to 35%
Stainless steel	60% avg.
Copper	38% avg.; structural – up to 75%; electrical/electronic – up to 5%
Nickel	34% avg.
Packaging	~50% in cardboard packaging for shipped products

Example for a single Alcatel-Lucent product (9234e Base Station d2U)	
Total weight of materials in product	139.6 kg
Total weight of metals in product	102.7 kg
Total weight of recycled material in metals	42.2 kg
Percentage of recycled input material in product	30%

Restricted substances

While compliance with materials-related legislation such as the EU RoHS Directive(1) and REACH(2) Regulation is primarily EU-focused, we have adopted these globally. Our products are fully RoHS compliant – and although network infrastructure equipment is currently exempt from the requirement to eliminate lead-based solders, we are taking steps to completely eliminate lead from our products. Our Enterprise products have been lead-free since 2006. All new network infrastructure equipment since 2010 is designed to be lead-free by default.

Our research program – conducted in collaboration with industry partners including iNEMI, the High Density Packaging User Group (HDPUG) and the Unovis AREA Consortium – has helped advance global knowledge of lead-free technology. Thanks to this research we have been able to advocate for industry acceptance of lead-free technology, increasing adoption of reliable lead-free products for service provider applications.

(1) EU Directive 2002/95/EC and 2011/65/EU on Restriction of Certain Hazardous Substances (RoHS)
(2) EU Regulation 2009/1907/EC Restriction, Evaluation and Authorisation of Chemicals (REACH)

We have voluntarily reduced our use of polyvinyl chloride (PVC) over the last several years in recognition of its associated environmental and human health risks. We have a broad initiative focused on PVC elimination that includes internal R&D, and we are engaged in supplier and consortia partnerships to develop and assess the impact of alternative materials. Our target by the end of 2015 is to replace the use of PVC in our products with alternatives that are technically and economically viable.

Energy efficiency

Products

With broadband traffic growing dramatically, our customers have to strengthen their network capacity which increases operational costs and power needs. Lifecycle assessments (LCAs) show that the use of a typical network product accounts for 80-90% of its total environmental impact – the bulk of which is associated with energy consumption. Consequently, reducing energy consumption and developing energy efficient, eco-sustainable options has become critical to ensure the long term affordability of telecommunication networks.

Between 2010 and 2012 Alcatel-Lucent met the target of improving the functional energy efficiency of its key products(1) by at least 25%. This target has been significantly exceeded for many products in Optics, IP, Wireless, Wireline and Applications divisions. Energy efficiency has been integrated as a standard feature in all of our product and solution roadmaps.

We will intensify the efforts to improve in this area since they represent a competitive differentiator and an element of customer satisfaction.

(1) New or recently developed products for Networks and Platforms on an upward lifecycle curve.

The table below provides some examples:

Products	Functional Energy Efficiency Improvement (2010 – 2012)
Wireless small cells	
Alcatel-Lucent 9361 Home Cell	100%
Wireline VDSL2 technology (VDSL2 vectoring)	
Alcatel-Lucent VDSL2 line card	46%
Alcatel-Lucent VDSL2 vectoring line card	45%
Packet optical transport technology	
Alcatel-Lucent 1850 Transport Service Switch (TSS)	Up to 176% (depending on products and configurations)
Alcatel-Lucent Optical Multi-Service Node (OMSN)	Up to 300% (depending on products and configurations)
IP routing and switching	
Alcatel-Lucent 7705 Service Aggregation Router (SAR) – 8	34%
Advanced communications (payment and charging)	
Alcatel-Lucent 8650 Subscriber Data Manager (SDM)	83%
Alcatel-Lucent 8620 Surepay suite	38%

The GreenTouch™ global research consortium, founded by Alcatel-Lucent Bell Labs, is pursuing its goal of delivering architectures, solutions and a roadmap, and demonstrating key technologies by 2015, in order to improve energy efficiency in ICT networks by a factor of 1,000 compared to 2010.

Green innovation highlights:

- In 2012, Alcatel-Lucent was included in the MIT Technology Report's TR50 annual list of the world's most innovative technology companies for its lightRadio™ innovation.
- More than 50 Bell Labs scientists, researchers and engineers around the world are now working on research for green, energy efficient and sustainable communications, networking and computing, and collaborating with more than 60 other companies, research institutes and universities.
- In 2012, Bell Labs actively supported and funded 10 university green research collaborations. Despite challenging times, we maintain a strong commitment to university collaborations. Bell Labs coordinated the EC funded FP7 "Energy Aware Radio and Network Technologies (EARTH)" project, which successfully accomplished all of its objectives showing that operators could save up to 70% of the energy in realistic 4G wireless network scenarios. EARTH was awarded the Future Internet Award (FIA) in May 2012.
- Alcatel-Lucent and the Center for Energy Efficient Telecommunications (CEET) at the University of Melbourne won the Australian B-HERT 2012 award for Outstanding Achievement in Collaboration in R&D.
- Approximately 10% of our company's patents are dedicated to green innovations.

Facilities

Electricity accounts for over three-quarters of our operational carbon footprint. In 2012, we lowered emissions related to our electricity consumption by approximately 12% from the previous year. We continue to implement projects and invest in facilities to achieve ongoing reductions.

- **Energy optimization projects**: Since 2011, we have made several major capital investments to further reduce energy consumption and related emissions in our buildings. More than 115 energy optimization projects are underway in 27 of our largest facilities – for efficient illumination, occupancy sensors, time-of-day adjustments and alternative energy use.
- **Use of alternative energy**: As of today, we directly contract less than 5% of our power from renewable sources; however, we are expanding our use of this type of energy. In Belgium, Austria and Switzerland, 100% of the electricity we buy is from renewable sources. As availability and financial conditions warrant, we will expand our direct purchases of renewable energy.

Conserving water

We measure water consumption and have managed to reduce water use by 26% since 2007.

Based on our determination that a more robust water-monitoring program is needed within our facilities, we are in the process of issuing revised internal guidelines that will establish specific timelines to:

- Install sub-meters within targeted facilities.
- Track water consumption per usage category (domestic, irrigation, process) and facility type (office, laboratory, warehouse, manufacturing).
- Establish water-consumption reduction goals by the 2014–2015 time period.

4.2.4 CLIMATE CHANGE

Tracking and reporting on carbon emissions

We have made a commitment to reduce our absolute carbon footprint (CO2 equivalent) from our operations by 50% by 2020 (compared to a 2008 baseline). According to 2012 operational data available at the time of this submission, the reported carbon footprint associated with facility operations exhibited an approximate 29% reduction from 2008 levels.

Greenhouse Gas Protocol

Alcatel-Lucent reports emissions from all sources, including facilities, fleet operations, mobile sources of combustion and all other Scope 1 and 2 sources that result directly from business operations. We also report Scope 3 emissions from outsourced activities such as leased vehicles and vessels, product logistics, company business travel, contract manufacturers, employee commuting, and purchased goods and services. We follow the Greenhouse Gas Protocol to determine which elements to measure and report on. At this point we are reporting on 9 of the 15 (GGP) categories. Based on our current business activities, 2 of the categories are not applicable to Alcatel-Lucent and we continue to assess the remaining 4 categories for our ability to capture and publish meaningful data.

Carbon Disclosure Project

In 2012, Alcatel-Lucent participated in the CDP Supply Chain and Investors questionnaires scoring 77 points (Industry average was 48) for Disclosure and was assigned the B band (Industry average was D) for Performance.

We also invested in an enterprise carbon accounting tool late in 2011 that helped streamline and automate our greenhouse gas data-collection process, identify additional opportunities for reductions and reveal best practices for reducing the carbon footprint of our operations. All of this helped maintain our leadership position in carbon footprint measurement and reporting.

4.2.5 BIODIVERSITY PROTECTION

On the ground

Alcatel-Lucent continues to assess its real estate portfolio, creating natural habitat enhancements at company-owned locations by identifying for instance remediation/clean-up projects.

Under the sea

We ensure that when we lay submarine cable on the ocean floor, we comply with specific environmental standards and obtain all necessary permits from authorities. The cables we lay are small – about 17 mm in diameter – and are designed to have no impact on the environment.

4.2.6 ENVIRONMENT INDICATORS

(ARTICLE R. 225-105 OF THE CODE DE COMMERCE)

ENVIRONMENTAL INDICATORS	**Units**	**2010**	**2011**	**2012**	**2012 Perimeter**
Carbon Footprint Assessment – Worldwide Operations [1]					
Scope 1					
Stationary source fuel combustion	tCO2e[4]	63,403	54,541	56,540	100%
Mobile source fuel combustion	tCO2e[4]	82,419	81,153	66,292	100%
Facility and mobile source refrigerant losses	tCO2e[4]	5,333	4,381	4,070	100%
Direct emission of GHG from manufacturing/ R&D/product development	tCO2e[4]	142	248	237	100%
Fire suppression system losses	tCO2e[4]	72	12	1	100%
Scope 2					
Electricity usage	tCO2e[4]	570,039	505,862	448,788	100%
Purchase of hot water/steam	tCO2e[4]	9,377	5,761	8,356	100%
Purchase of chilled water	tCO2e[4]	448	221	50	100%
Scope 3 [2]					
Purchased goods and services:					
Contracted manufacturing services	tCO2e[4]	99,632	94,083	218,328	100%
Contracted marine services	tCO2e[4]	58,019	58,768	71,668	100%
Purchased paper [7]	tCO2e[4]	1,257	1,229	1,371	100%
Fuel- and energy-related activities not included in Scope 1 and 2	tCO2e[4]	45,273	39,188	58,208	100%
Upstream transportation and distribution [8]	tCO2e[4]	208,578	198,782	171,474	100%
Waste generated in operations [9]	tCO2e[4]	2,418	5,602	935	100%
Business travel	tCO2e[4]	114,494	107,184	76,790	100%
Employee commuting	tCO2e[4]	109,555	104,237	190,141	100%
Downstream transportation and distribution [8]	tCO2e[4]	6,447	5,861	5,303	100%
End-of-Life treatment of sold products [10]	tCO2e[4]	2,951	2,951	9	100%
Grand Total (scope 1 + 2 + 3)	tCO2e[4]	1,379,857	1,270,064	1,378,561	100%
Carbon Footprint Assessment – Facility Operations Only [1,5]					
Indirect emissions of CO_2e, linked to consumed electricity	kt CO_2e[3]	559	512	449	100%
Indirect emissions of CO_2e per employee	t CO_2e[4]	7	7	6	100%
Direct emissions of CO_2e, linked to consumed fossil energy	kt CO_2e[3]	73	63	62	100%
Direct emissions of CO_2e per employee	t CO_2e[4]	1	1	1	100%
Total emissions of CO_2e	kt CO_2e[3]	647	581	519	100%
Total emissions of CO_2e per employee	t CO_2e[4]	8	8	7	100%
Consumed Energy – Facility Operations Only [1,5]					
Consumed electricity	GWh	1,125	1,014	958	100%
Consumed electricity by employee	MWh	15	13	13	100%
Consumed fossil energy	GWh	308	317	328	100%
Consumed fossil energy by employee	MWh	4	4	5	100%
Total consumed energy	GWh	1,491	1,357	1,323	100%
Total consumed energy by employee	MWh	19	18	18	100%
Carbon Footprint Assessment – Worldwide Scope 1 and Scope 2 [1,6]					
Indirect emissions of CO_2e, Worldwide Scope 2 operations	kt CO_2e[3]	na	na	457	100%
Indirect emissions of CO_2e per employee	tCO2e[4]	na	na	6	100%
Direct emissions of CO_2e, Worldwide Scope 1 operations	kt CO_2e[3]	na	na	127	100%
Direct emissions of CO_2e per employee	tCO2e[4]	na	na	2	100%
Total emissions of CO_2e	kt CO_2e[3]	na	na	584	100%
Total emissions of CO_2e per employee	t CO_2e[4]	na	na	8	100%

ENVIRONMENTAL INDICATORS	Units	2010	2011	2012	2012 Perimeter
Consumed Energy – Worldwide Scope 1 and Scope 2 (1,6)					
Purchased electricity, Worldwide Scope 2 operations	GWh	na	na	958	100%
Purchased electricity by employee	MWh	na	na	13	100%
Total purchased Worldwide Scope 2 operations	GWh	na	na	955	100%
Total consumed Scope 2 energy by employee	MWh	na	na	14	100%
Consumed fossil energy, Worldwide Scope 1 operations	GWh	na	na	581	100%
Total consumed Scope 1 energy by employee	MWh	na	na	8	100%
Total consumed energy, Worldwide Scope 1 and 2 operations	GWh	na	na	1,576	100%
Total consumed energy by employee	MWh	na	na	22	100%
Water and Wastes					
Consumed water	m^3	2,744,454	2,765,474	2,565,582	100%
Consumed water per employee	m^3	36	38	37	100%
Production of hazardous waste	t	2,230	1,116	1,061	100%
Production of hazardous waste per employee	kg	28	15	15	100%
Percentage of hazardous waste recycled (11)	%	80	50	68	100%
Production of non-hazardous waste	t	19,767	20,934	16,453	100%
Production of non-hazardous waste per employee	kg	248	275	227	100%
Percentage of non-hazardous waste recycled (11)	%	68	71	71	100%
Production of Waste Electrical & Electronic Equipment (WEEE)(12)	t	4,464	6,314	7,481	100%
Percentage of WEEE recycled/reused	%	98	96	97	100%
Other Emissions					
Solvents	No significant quantities, indicator not relevant and not consolidated				
Halogenated hydrocarbon	No significant quantities, indicator not relevant and not consolidated				
Discharge into water (heavy metals)	No significant quantities, indicator not relevant and not consolidated				
Ozone-depleting substances	No significant quantities, indicator not relevant and not consolidated				
NOx, SOx and other criteria air contaminants (13)	tonnes	576	103	116	100%
Miscellaneous					
Alcatel-Lucent headcount, ISO 14001 certified	%	29	39	43	100%
New products covered by ecodeclarations (14)	%	100	100	100	100%
Functional energy efficiency improvement of key products	%	20	na	25	100%
Domestic product freight by truck	%	na	98	99	100%
International product freight by ocean vessel	%	na	40	51	100%

(1) Emission factors based on initial values issued by IPCC and kept constant for data consistency.

(2) The presentation of our Scope 3 indicators follows the categories and guidance provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard, published in November, 2011.

(3) kt CO_2e: Kilo metric tons of CO_2 equivalency (includes the following GHGs: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs).

(4) t CO_2e: Metric tons of CO_2 equivalency (includes the following GHGs: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs).

(5) CO2e values include Scope 1 and Scope 2 emissions for facility operations only (includes facility mobile combustion)

(6) Complete Scope 1 and 2 activities – worldwide

(7) Purchased paper includes 100% of paper used in operations and purchased under corporate contract; does not include externally printed marketing collateral.

(8) Product transport includes 100% of emissions from air and marine transport worldwide, and truck transport from Europe

(9) Energy usage at environmental remediation sites

(10) Recycled electronic equipment.

(11) Recycled: not released in a landfill or not burned without energy recovery.

(12) WEEE data includes electronic waste generated by Alcatel-Lucent operations and WEEE take-back. Not reported as production per employee since production includes take-back.

(13) Products of combustion from facility stationary operations

(14) Associated with new products released during the cited year.

Direct energy consumption by primary energy source

Total energy consumption

	Amount	Units	tCO2e	MWh
Facility Operations_Coal Gas	967	megawatt hours	155	967
Facility Operations_Distillate Fuel Oil (#1,2,4, and diesel)	891162	liters	2402	9497
Facility Operations_Natural Gas	292058	megawatt hours	53012	292058
Facility Operations_Propane	20592	liters	32	146
Facility Operations_Residual Fuel Oil (#5,6)	299973	liters	940	3484
Facility Mobile Sources_CNG	689	kilograms	0	10
Facility Mobile Sources_Diesel	1292714	liters	3498	13750
Facility Mobile Sources_Ethanol	186	liters	0	1
Facility Mobile Sources_Gasoline	748604	liters	1758	7207
Facility Mobile Sources_LNG	1340	liters	2	9
Facility Mobile Sources_Propane	99092	liters	154	701
			61952	327830

Total direct energy consumption by renewable primary source

	Amount	Units	CO2e	MWh
Facility Mobile Sources_Ethanol	**186**	liters	0	1

Total direct energy consumption by non-renewable primary source

	Amount	Units	CO2e	MWh
Facility Operations_Coal Gas	967	megawatt hours	155	967
Facility Operations_Distillate Fuel Oil (#1,2,4, and diesel)	891162	liters	2402	9497
Facility Operations_Natural Gas	292058	megawatt hours	53012	292058
Facility Operations_Propane	20592	liters	32	146
Facility Operations_Residual Fuel Oil (#5,6)	299973	liters	940	3484
Facility Mobile Sources_CNG	689	kilograms	0	10
Facility Mobile Sources_Diesel	1292714	liters	3498	13750
Facility Mobile Sources_Gasoline	748604	liters	1758	7207
Facility Mobile Sources_LNG	1340	liters	2	9
Facility Mobile Sources_Propane	99092	liters	154	701
			61952	327828

Indirect energy consumption by primary source

Total amount of indirect energy

	Total MWh	Renewable MWh	Non-Renewable MWh
Purchased Hot Water/Steam	36831	8729	28102
Purchased Chilled Water	52	8	44
Purchased Electricity	958187	184915	821461
TOTAL	995070	193652	849607

Definitions and methodology

Our 2012 energy and water consumption, carbon footprint assessment and waste-generation reporting perimeter includes all sites owned or leased by Alcatel-Lucent as of December 2012.

In setting organizational boundaries and for corporate reporting of consolidated greenhouse gas emissions, we employ the "operational control" approach when establishing organizational boundaries. Within this approach, we account for 100 percent of GHG emissions from operations over which we have operational control. We continue to attempt to obtain utility information from landlords in leased situations where the utility usage can be allocated accurately to our leased space – for example, via a separate electric meter. If such information cannot be obtained, electricity and/or natural gas usage is estimated utilizing "energy intensity" factors as stipulated within our EHS Program Reporting Plan.

For the 2012 assessment, 225 facilities were directly responsible for managing energy and water consumption, carbon footprint assessment and waste generation reporting at their particular site. Sites with direct facility data input responsibility accounted for 81% of the total real estate building area and 74% of the total Alcatel-Lucent headcount. From this scope, the number of facilities that reported effectively resulted in the following corresponding percentage of total Alcatel-Lucent employees:

- **Energy consumption and CO2e emissions**: 225 sites (accounting for 74% of our employees) provided actual facility specific energy consumption and CO2e emissions information. This included inputting utility billings, fuel purchases and emitted GHG chemical emission data directly entered into a web-based tool by facility personnel. To account for 100% of our employees, facility energy consumption usage and CO2e emissions estimation algorithms were employed for sites that could not obtain such information. In addition, fuel usage data for marine vessels, along with fuel and mileage data for leased automobiles were obtained to account for 100% of world-wide Alcatel-Lucent mobile source operations.

- **Water consumption:** 119 sites (accounting for 66% of our employees) provided water usage information. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

- **Hazardous waste production:** 51 sites (accounting for 43% of our employees) provided information on hazardous waste production. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

- **Non-hazardous waste production:** 118 sites (accounting for 53% of our employees) provided information on non-hazardous waste production. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

- **Waste electrical and electronic equipment production:** 142 sites (accounting for 62% of our employees) provided information on waste electrical and electronic equipment. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

The EHS Reporting Protocol is available upon request at: sustainability@alcatel-lucent.com

Evolution in 2012

The scope of our 2012 sustainability campaign grew from 2011: all facilities that were able to obtain energy usage information, regardless of building area or employee headcount, were required to participate using a web-based tool. As a result, more actual facility operational data was obtained, requiring less estimation to obtain 100% company-wide assessment.

In part due to the consolidation of facilities to more efficiently utilize resources, as well as our efforts to implement energy efficiency projects and conduct energy efficiency awareness programs for employees, we have achieved a reduction of total CO2e emissions from our facilities of 11% from 2011 levels.

In 2011, we clarified the wording of our commitment to "reduce our absolute carbon footprint (CO2 equivalent) by 50% of 2008 baseline by 2020" by adding the term "from our operations", meaning Scopes 1 and 2 only. The reason for this is that as we continue to add new Scope 3 indicators, we need to keep a stable baseline from which to track our progress on reducing our carbon footprint. Additionally, we constantly work with our key suppliers to reduce our Scope 3 emissions even though they are not part of our 50% reduction goal.

4.3 HUMAN RESOURCES

Our Human Resources team aims to ensure the company has the right talent in the right place at the right time – maximizing our ability to execute our business strategy while pursuing the objectives of employee diversity, engagement and talent development.

4.3.1 EMPLOYMENT

Employees

Our total worldwide employee headcount at the end of 2012 was 72,344. The tables below show the breakdown by business segment, geographic areas, age, and gender of our employees. The figures take into account all employees who worked for fully consolidated companies as well as companies in which we own 50% or more of the equity.

Note: The numbers below were restated for the last three years due to the sale of our Genesys activities on February 1, 2012.

Breakdown of employees by business segment

	Networks	Software, Services and Solutions	Enterprise	Other	Total Group
2010	34,753	38,236	3,964	1,186	78,139
2011	33,359	36,095	3,833	1,079	74,366
2012	32,159	35,269	3,855	1,061	72,344

Breakdown of employees by geographic area

	France	Other Western Europe	Rest of Europe	Asia Pacific	North America	Rest of World	Total Group
2010	9,732	12,160	6,243	24,389	17,908	7,707	78,139
2011	9,541	11,697	5,757	22,697	16,914	7,760	74,366
2012	9,483	11,022	5,292	22,339	16,507	7,701	72,344

Breakdown of employees by age

		Below 30	30 – 50	Above 50
2010	Europe, Middle East and Africa	14%	67%	19%
	Americas	8%	63%	29%
	Asia-Pacific	33%	64%	3%
	Total Group	18%	65%	17%
2011	Europe, Middle East and Africa	12%	67%	21%
	Americas	7%	60%	33%
	Asia-Pacific	28%	69%	3%
	Total Group	15.5%	66%	18.5%
2012	Europe, Middle East and Africa	8%	69%	23%
	Americas	6%	58%	36%
	Asia-Pacific	23%	74%	3%
	Total Group	12%	67%	21%

Note: 2011 data have been restated due to a better accuracy in our reporting system.

Breakdown of employees by gender

		Female	Male
2010	Europe, Middle East and Africa	21%	79%
	Americas	23%	77%
	Asia-Pacific	21%	79%
	Total Group	22%	78%
2011	Europe, Middle East and Africa	21%	79%
	Americas	22%	78%
	Asia-Pacific	21%	79%
	Total Group	21%	79%
2012	Europe, Middle East and Africa	19%	81%
	Americas	21%	79%
	Asia-Pacific	22%	78%
	Total Group	21%	79%

Contractors and temporary workers

The average number of contractors (that is, employees of third parties performing work subcontracted by us on a "Time and Materials" basis, when such third parties' cost to us is almost exclusively a function of the time spent by their employees in performing this work), and of temporary workers (that is, in general, employees of third parties seconded to perform work at our premises due, for example, to a short-term shortfall in our employees or in the availability of a certain expertise) in 2012 was 7,016 in the aggregate.

Compensation

Besides our renewed commitment to provide our employees with a competitive compensation package by country and in line with those of major companies in the technology sector, our compensation policy, applicable to all managerial and professional employees, strives to strike a balance among various elements:

- **Clarity:** common worldwide incentive criteria,
- **Simplicity:** clear performance achievement levels communicated to all beneficiaries,
- **Global approach:** common sales incentive policy, worldwide equity grant policy,
- **Harmonization of global policies**.

Our policy is for all employees to be fairly paid regardless of gender, ethnic origin and/or disability. Alcatel-Lucent places emphasis on ensuring the development of our employees, rewarding the development of highly needed skills driving our Group's innovation and favoring a long-term engagement with us through appropriate and dedicated policies, processes and recognition tools.

In light of these criteria, our compensation structure reflects both individual and Group performance. The grants of long-term incentives (stock options and performance shares) are decided almost every year at the same time by the Board of Directors upon recommendation of the Compensation Committee. Their implementation serves several purposes: To involve employees in the Group's results, to encourage and reward performance and to attract and retain talent in a highly competitive industry, where quality and employee motivation are key factors for success. Group employees benefiting from performance shares (7 936 beneficiaries in 2012) may dispose of the shares at the end of the fourth year following the year of the grant, to the extent the presence and performance conditions are reached. Regarding stock options, in 2012 the Company granted 10.8 million to 7,950 recipients. However, our Board of Directors decided not to put in place at this point a performance share or a stock option annual plan in favor of employees and management of the Group for 2013, in view, in particular, of market conditions and of the challenges faced by our Company throughout 2012. Employee compensation evolution (wages and salaries) over the last three years is set forth in Note 35 to our consolidated financial statements.

4.3.2 WORK ORGANIZATION AND MANAGEMENT

Alcatel-Lucent Performance Program

In July 2012, we launched The Performance Program to help us reach our objectives in the following areas by the end of 2013:

- **Costs:** an additional € 750 million in cost reductions, bringing total savings to € 1.25 billion.
- **People:** approximately 5,500 global headcount reductions across the Group.
- **Contracts:** exiting or restructuring unprofitable Managed Services contracts, along with associated headcount reductions.
- **Geographies:** exiting or restructuring unprofitable markets.

In September 2012, we announced a new operating model focused on core products, a strengthened sales organization and re-shaped corporate functions to help us deliver the Performance Program and to enable us to:

- Focus on profitable markets and customers around the world
- Optimize tendering and sales in a single global sales organization
- Accelerate the pace of transformation
- Maintain a strong innovation engine with continued R&D investment
- Manage our patent portfolio as a dedicated profit center
- Concentrate on higher value-added contracts in Managed Services
- Simplify management layers across the company

Strategic workforce planning

In 2012, we strengthened our strategic workforce planning activity. In line with our long-term strategy and multi-year financial performance direction, we defined targets for skills and talents necessary to execute our business strategy. Hence, we continue to strengthen the long term strategic workforce planning in the different business segments of the company. With respect to our product portfolio and financial

performance, it is strategically essential in the long term that we align critical talent:
a) By adopting a prospective view on the necessary employee population changes; and
b) By enhancing our ability to conduct focused recruiting (internal and external) and targeted training, and to plan our geographic footprint consistency for the future.

In 2012, we also strengthened our operational workforce planning capability, allowing countries to express their workforce feasibility of the business needs in the context of their country. This new capability allows a better anticipation of hiring, departures by country and by organization, taking into account the local labor market.

Internal mobility

Providing employees the opportunity to explore new career options and pursue professional advancement is essential to build our HR capabilities. By increasing the visibility of the skills and competencies required for career growth and advancement within Alcatel-Lucent, the Internal Job Opportunity Market launched in 2011 creates an open and fair internal market for employees seeking roles that best fit their talent and motivation.

Celebrating two years since its launch, the Internal Job Opportunity Market is a driver for our transformation, and helped us fill more than 40% of open positions with internal talent.

Leadership pipeline

Alcatel-Lucent has a tradition of investing in identification and development of leadership potential. Following an extensive and thorough review of practices, in 2011 a refreshed talent identification and development process called the Leadership Pipeline was implemented. This process includes approximately 1,400 employees from around the world, more than 23% of whom are women.

The Leadership Pipeline focuses on delivering excellence and diversity in the pipeline for the senior leadership roles in the company, and relies on three pillars: 1. identification of talent in a consistent way across the company; 2. talent movement across geographical, functional or business boundaries; and 3. development using a broad variety of methods. HR professionals ensure the execution of this strategy by supporting people managers and talent through identification, movement and development.

Performance management

Launched in 2011, the Alcatel-Lucent performance management process, OurTalent Dialogue, focuses on the importance of continuous, person-to-person dialogue between people managers and employees; supporting direction setting, goal clarity, guidance and feedback — enabling employees to drive their own career development and the performance in alignment with the business strategy; ensuring their and the Company's performance.

In 2012, performance management was a requirement in each organization with emphasis on reinforcing the people managers' responsibilities to ensure an engaged workforce. Going forward Performance Management will continue to support people managers' effectiveness to ensure a better understanding of the linkage between management and leadership attributes to promote explicit and open accountability to further ensure the performance and engagement of employees.

Teleworking

Flexible work practices such as teleworking are widely recognized as being key to improving productivity. Teleworking also reduces commuting time and costs, real estate costs, operating expenses and our overall environmental impact.

To demonstrate our support of a better work/life balance for our employees, teleworking policies have been put in place across all regions in Alcatel-Lucent. In 2008, we worked with our main unions in Europe to define a collective agreement on teleworking. Through this agreement, all employees in France, Belgium, Spain, Italy and Germany may telework if an organizational analysis of their job activities is positive and there is mutual agreement between the employee, his/her people manager and the HR function. In 2012, we extended the number of countries with teleworking policies by defining agreements across the Middle East and Africa as well as APAC, including in China and India.

Overall, 46% of our employees telework at least one day per week – and some countries have even higher rates, such as Spain (73%), Belgium (71%), the United States (65%), Australia (58%), and France (47%).

Absenteeism

We track and manage employee absenteeism at country level according to relevant local legal requirements and regulations. This ensures the speediest and most appropriate actions can be taken to respond to possible fluctuations outside the norm for that country and our industry. At a global level, we publish the number of days of absence due to work-related accidents including occupational diseases per employee (see our table section 4.3.8 "Social indicators").

4.3.3 SOCIAL RELATIONSHIPS

Organizations for social dialogue

We strive to foster an open dialogue with employees on the decisions that directly affect them. Discussions with employee representatives concerning organizational changes and workforce reductions are managed on a regional and/or country basis. With the launch of the Alcatel-Lucent Performance Program in 2012, we regularly engaged with our social partners on the impact of the Performance Program in full compliance with local rules and regulations.

Dialogue with trade unions: We inform or consult with union representatives before making any major change in the organization. Matters affecting individuals, particularly those involving relocation or the transfer of work to a new location, may require up to six months of discussions.

European Committee: The European Committee for Information and Dialogue (ECID) is a dialogue body where senior management and European employee representatives can share their views. Composed of 30 members—including representatives from Belgium, France, Germany, Italy and Spain—the European Committee meets at least twice a year; in 2012, it met on April 18 and October 18 as well as on December 6 specifically for the Alcatel-Lucent Performance Program.

This meeting focused on reporting and discussing the details of the Performance Program and the foreseen headcount reductions by country and by function, and explaining the objectives of the program for countries within the ECID's scope. In addition, in all European countries, the official consultation process of union representatives was launched in parallel. Further details about the Performance Program will be communicated at a country level following due process.

French Committee: In France, a group-level committee representing unionized employees has been operating since 1981. Composed of 30 trade union representatives, the French Committee (Comité de Groupe France) meets at least twice a year (usually in June and December).

Review of collective agreements

A selection of some of the major collective agreements signed in 2012 includes the following:

- **France:** new collective agreement for improved social dialogue (incl. 3 years mandate for union representatives); 2011 agreement continuation on equality at work and employment & skill management. Negotiations launched about "social dialog 2.0" regarding the use of social networks.
- **Italy:** two agreements on social tools; one agreement on outsourcing (Genoa); one agreement on temporary work (Trieste); one agreement on Italy national plan (2012 and beyond);
- **Germany:** two company-related collective bargaining agreements (on regulating working conditions and the amalgamation of 10 establishments into five) concluded in December 2011, came into effect on September 2012; one new agreement for Alcatel-Lucent Digitalfunk Betriebsgesellschaft on regulating working conditions; one new agreement for Alcatel-Lucent Deutschland AG on salary increases, increases of apprentices' remuneration, employers' obligations to offer an apprentice a temporary or permanent employment following the apprenticeship, and working conditions applying in case of employee leasing.
- **Norway:** one main collective (tariff) agreement between the employee organization (LO) and the employer organization (NHO).
- **Sweden:** one agreement covering: employment conditions, negotiation process, salary setting process, salary increase lowest levels, competence development activities, working hours and work conditions.
- **United States**: on December 28, 2012 we signed an agreement with the Communications Workers of America (CWA) to extend our existing US collective bargaining agreements with them from May 25, 2013 to May 24, 2014. These agreements govern rates of pay, benefits and other conditions of employment for our U.S. union-represented employees. In addition, also on December 28, 2012, we signed a memorandum of understanding with the CWA and the International Brotherhood of Electrical Workers (IBEW) to extend postretirement medical and dental benefits and retiree life insurance for December 31, 2014.

Internal communication and dialogue

Our success depends on our ability to build the strongest possible commitment from our workforce. Doing so requires an ongoing exchange between employees and management to ensure broad dedication to our strategic goals and a shared understanding of how each employee can contribute to those objectives.

We have updated our approach to performance management to reinforce the role of people managers and to nurture the ongoing dialogue between managers and employees. This new approach will ensure that all managers have the skills and tools they need to drive a less formal (yet still structured) exchange with employees at all levels of the organization.

We have deployed the latest communications tools throughout the company to support ongoing dialogue, for example:

- The social media functions of our Web 2.0 service platform, accessible in all countries where we operate, is actively used by more than half of the company population.
- Launched in March 2010, the Engage social networking platform enables employees to collaborate in real time by sharing insights, links and documents.
- The OurTalent Dialogue tool enables dialogue between managers and employees to assess objectives and measure performance.

In addition to corporate-level initiatives, local HR and communications specialists are available to sponsor a range of activities or talk with employees.

Employee engagement

During 2012, Alcatel-Lucent rolled out an Employee Engagement Improvement Process to over 30,000 employees, principally within the Global Customer Delivery organization. This approach focused on three elements.

- Firstly, building an active network of over 100 Employee Engagement Ambassadors, all of whom went through an intensive 12 week blended learning training program to fully equip them with the skills necessary to drive this process effectively within their locations.
- Secondly, a detailed online survey was then deployed, which looked at many aspects of Employee Engagement, including an Employee Engagement Index (comprising six questions), an Employee Motivation Index (comprising four questions), and a Change Effectiveness Index (comprising five questions), as well as measuring perceptions of many well established 'Drivers' of Engagement (such as Leadership Effectiveness, Communications Effectiveness, Immediate Manager etc).
- And, finally, a best-practice 'Results2Action' process was deployed across the business that rolled out a top down, and highly systematic approach, which was designed to focus the business acutely on the one or two most pressing issues to emerge from the diagnostic (which, in 2012, were Change Effectiveness and perceptions of Career Opportunities). The efforts of this 'Results2Action' approach have since continued into 2013 and will run well into the year.

4.3.4 HEALTH AND SAFETY

As stated in our Employee Health and Safety (EHS) Policy, we are committed to operating in a way that protects the environment as well as the health and safety of our employees, contractors, customers and communities in which we do business. Meeting this commitment is a primary management objective as well as the individual and collective responsibility of all employees.

Employee awareness of health and safety

To increase the availability and speed of delivery of EHS training, a series of health and safety courses – starting with courses on slips, trips and falls – were offered through our online learning portal in 2012. To deliver these courses we use Skillport, an off-the-shelf product with many applicable EHS titles that is hosted in the Alcatel-Lucent Learning Management System. And to make health and safety information more readily available, our corporate EHS office created a common EHS SharePoint platform that allows local EHS coordinators to input, utilize and customize course content according to their specific needs. Additionally, our travel services website is used to keep employees informed of any risks associated with serious diseases.

Electromagnetic environment at work

To ensure a healthy and safe work environment for our employees, we place high priority on training and guidance. We provide dedicated employee training to support the safe deployment of wireless products in the field. We have also initiated an internal program in all EU countries to address the key principles of EU Directive 2004/40/EC on electromagnetic fields exposure at work. We have maintained this program even though the deadline for implementing the directive was postponed until 2013.

Occupational accidents

	Frequency rate for work-related accidents including occupational diseases	Number of days of absence due to work-related accidents including occupational diseases per employee
2010	1.21	0.07
2011	1.42	0.08
2012	1.48	0.07

Note: The workforce considered for work-related accidents including occupational diseases are employees, students, trainees and apprentices.

Regarding the number of absence days due to work-related accidents including occupational diseases per employee: this value is the best possible estimate based on available data and given the challenges which may occur to a global company of our size, when trying to apply a common definition in all the countries where we are present. Each country has its own practices and/or regulations. Since some countries report calendar days instead of working days, the published indicator is overvalued.

Our reporting requirements for serious incidents and occupational accidents ensure all business groups provide the information to support effective trend analysis and root-cause identification – data that is used to continually improve our safety performance as we strive to reach our goal of zero lost workdays due to injury or illness.

A preliminary trend analysis in 2011 pointed to slips, trips and falls; strain- and sprain-related injuries; and motor vehicle safety as areas needing more attention. Consequently, we are revising our ergonomic guidelines to better suit today's work environment (e.g., the increasing use of laptop versus desktop computers) and evaluating driver safety courses in all regions to ensure local safety issues are addressed.

At Alcatel-Lucent, we don't calculate the severity rate as we don't have heavy industrial manufacturing processes that would require following an indicator on severity of occupational accidents. Global occupational accident trends focus on an employee's professional activity and the corresponding risks associated with it. Improvements are made at the program level based on trends identified, irrespective of the number of lost workdays. It has always been our approach to view the potential of the occurred accident and what we can learn to prevent its further occurrence.

Review of agreements signed with trade unions or staff representatives on workplace health and safety

Examples of collective agreements signed in 2012 include the following:

- **United States** : On December 28, 2012 we signed an agreement with the Communications Workers of America (CWA) to extend our existing US collective bargaining agreements with them until May 24, 2014. Our collective bargaining agreements were due to expire in May of 2013. With this extension we will continue the health and safety agreements contained in our US union contracts. Included are a joint manager and union Environmental, Health and Safety Advisory Committee for approximately 1,200 union technicians in the US and an agreement to pay $100 per quarter to union employees who are trained, certified and participate on an Emergency Response Team at our major facilities.
- **Germany** : Collective Bargaining Agreements with trade unions contain general principals referring to the German laws regarding the workplace and the working environment. Based on the Works Constitution Act (sections 87 (7), 90, 91) the Works Council has co-determination rights regarding to all regulations referring to occupational safety and health protection. Major collective agreements signed in 2012 include: Inhouse medical services and safety arrangements regarding to the Occupational Safety Act – EHS regulations with participations rights ; Risk assessment with the participation of Works Councils according to the Act of Occupational Safety and Health of 1996 – pilot project 2012/2013.

4.3.5 TRAINING

We have prioritized learning and training aspects based on ongoing dialogue between managers and employees. Alcatel-Lucent University – the mission of which is to provide timely, relevant and innovative learning solutions to support employee performance and development – has enhanced its ability to provide learning, coaching and mentoring to all employees with:

- Common learning and training tracks across all leadership competencies,
- Employee accreditation programs aligned with profiles defined by our strategic workforce plan,
- Community learning – a new concept that reduces the time involved in acquiring best-in-class skills by making it easier to learn from the most talented in our Company,
- State-of-the-art learning facilities and e-learning components.

Achievements

In 2012, we have over 1000 students in the application and completion process now for 2012 training accreditation work in the areas of technical expertise and project management. We have also launched community learning for the height most critical functions as a parallel 'fast track' to learn from the best-in-class employees.

In 2012, Alcatel-Lucent University delivered a total of 2.2 million hours of training (46% for customers and 54% for internal learners[1]) to more than 109,000 total students[2] across 162 countries. In 2012, the University delivered an average of 15 hours of training per internal learner. About 51% of 2012 internal learning was delivered online, up from 40% the year before.

(1) Internal Learners includes employees and contractors
(2) Total students is all internal learners plus external customer learners

Alcatel-Lucent University

The University maintains 22 training centers around the world and a body of 530 learning professionals.

All learning hours are tracked through a formal learning management system that provides auditable learning volume reports. The University recently introduced a more personal, social-networking-based learning platform called My Personal Learning Environment (or My PLE), which allows students to better drive and manage their own learning programs. Designed around learning communities, My PLE makes it easier for students to learn from their peers and from content experts internally – which, in turn, helps to make learning more relevant to the job.

4.3.6 DIVERSITY AND EQUAL OPPORTUNITY

As a global Group, we actively seek to ensure that our employees reflect the diversity of our business environment. Our Statement of Business Principles and our human rights policies clearly confirm our responsibility to ensure equal opportunities and to recognize and respect the diversity of people and ideas.

Gender diversity

At the end of 2011, we implemented a global strategy and action plan that assigned responsibility for gender diversity at the organizational, corporate and country levels and identified actions to be carried out in five focus areas:

Awareness building : We launched a series of interactive sessions on gender diversity for over 200 managers and leaders in 2012 to help them understand why diversity is a business imperative for Alcatel-Lucent, and to build managers' awareness of workplace gender dynamics—all to better tap our existing talent and improve organizational performance.

Leadership pipeline : More women than ever before are part of our leadership pipeline—23% as of October 2012 compared to 19% in 2011.

Staffing/recruitment : 20.6% of external hires over the past year were women, up a few percentage points from the previous period.

Work/life balance : We now have teleworking policies in all key countries worldwide. Our internal networking and learning platforms are being used to educate employees on the benefits and best practices in the field, thus helping make flexible work practices more prevalent for both men and women employees.

Equal pay for equal work : We continue to closely monitor the pay differences between men and women. All geographies are not impacted equally but we have made progress thanks to targeted actions such as those implemented in France.

Integration of disabled people

We are also committed to fostering the integration of people with disabilities into our workforce and creating access solutions for them.

Mission Handicap : Designed to integrate disabled employees into the workplace, the Mission Handicap program run in France has established training courses to educate employees on the challenges of working with a disability and the benefits of including people with disabilities in the workforce. Awareness-raising activities are hosted at Alcatel-Lucent campuses every year and trainees with disabilities are systematically integrated into Alcatel-Lucent working teams. The program also invested in structural modifications to our buildings, providing adapted equipment and computer accessibility tools between 2009 and 2011. In 2012, eleven persons were recruited and the program was renewed for three years.

@talentEgal : A non-profit association created by Alcatel-Lucent in France, @talentEgal helps disabled post-graduate students gain employment with us by providing them with training, internships or other work experience. @talentEgal will help us recruit 60 disabled people from 2012 to 2014—a significant step toward meeting the French government's requirement that 6% of a company's employee base is made up of disabled employees. (This number is currently 2.5% in Alcatel-Lucent France). In 2012, 20 students were recruited. Another objective for the next three years is to create an ambitious Handicap & Innovation program that will mix handicapped students with R&D and Bell Labs project teams to focus on addressing accessibility projects.

Support for disabled employees in Spain

In 2012, Alcatel-Lucent celebrated the 30th anniversary of its collaboration with Spain's ADFYPSE, the Association of Workers and Pensioners of Standard Electrica who struggle with mental and physical handicaps. As part of that celebration, our company provided economic support, materials and ICT infrastructure for a new ADFYPSE center in Arroyo Culebro. ADFYPSE creates and promotes centers and institutions that work toward the recovery and rehabilitation of those with handicaps – not only mental handicaps but also physical and sensory. It pays special attention to adolescence and youth, with criteria based on training and participation.

Commitment for non-discrimination

Our commitment to advancing equality and non-discrimination is reflected in specific initiatives against harassment and discrimination in several countries (in particular, France and the United States).

For example, CEO Ben Verwaayen was invited to serve on the World Economic Forum (WEF) Gender Parity Group for 2011–2012. Comprised of 50% women and 50% men, the WEF Gender Parity Group is a multi-stakeholder community of highly influential and committed leaders from business, politics, academia, media and civil society. Meeting once each year during the WEF Annual Meeting at Davos, Switzerland, it aims to identify the most successful interventions for closing gender gaps and to develop a framework for gender parity that can be widely replicated.

Mr. Verwaayen also joined other CEOs in 2012 to sign the CEO Statement of Support for the Women's Empowerment Principles—a worldwide initiative launched by the United Nations, UNIFEM (now UN Women) and the UN Global Compact. Our gender initiatives were also included in the UN's publication *Companies Leading the Way: Putting the Principles into Practice*, which lists examples of actions and initiatives that companies are undertaking to empower and advance women. Finally, we are an active member of the newly launched UN Women Empowerment Principles Leadership Group and were a key speaker at its first meeting on March 8, 2012, in New York.

4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS

Alcatel-Lucent Global Human Rights Policy

In 2012 we updated our Global Human Rights Policy, which is designed to ensure proper treatment of our workforce and external stakeholders around the world. In parallel, we continue to dialogue with key industry stakeholders on our common responsibilities to human rights across the world.

Excerpt of Alcatel-Lucent Global Human Rights Policy

(Full version available at:
http://www.alcatel-lucent.com/sustainability/policies.html)

It is the policy of Alcatel-Lucent to protect and enhance the human dignity of everyone who works for the Company and anyone who has dealings with it. We conduct business in many countries and believe that our products, services and jobs improve the quality of life in each of these countries.

Alcatel-Lucent supports and respects, within its sphere of influence, the principles of human rights as embodied in internationally recognized principles and guidelines, including: the UN Declaration of Human Rights; the Ten Principles of UN Global Compact; UN Guiding Principles on Business and Human Rights; International Labor Organizations (ILO) Declaration of Fundamental Principles and Rights at work; and OECD Guidelines for Multinational Enterprises (which refer to the UN Principles). We respect and comply with all Human Rights legislations, regulations or standards in the countries in which we operate.

Alcatel-Lucent as an Employer:

- Prohibits discrimination against any employee or job applicant on the basis of age; disability; race; sex; color; religion; creed; national origin; citizenship; sexual orientation; gender identity, characteristics or expression; marital status; covered veteran status; or any other protected class and will treat everyone with dignity and with full respect for their private lives.
- Helps ensure that employment with Alcatel-Lucent is by freedom of choice.
- Upholds freedom of association and the right of any individual to be fairly represented by a labor organization of their choosing, pursuant to local laws.
- Offers employees remuneration packages that meet or exceed the legally required minimum.
- Complies with maximum hours of daily labor set by local laws and complies with overtime pay legal requirements.
- Supports the effective elimination of all forms of compulsory labor and child labor and will make this a criterion in the selection and management of our suppliers and contractors.
- Prohibits :
  - Actions that create an intimidating, hostile work environment including corporal punishment, harassment, verbal, written, physical or psychological abuse, threats or intimidation as these are inconsistent with a respect for human dignity.
  - Actions that threaten or insinuate that an employee’s or applicant’s submission to or rejection of sexual advances will influence any personnel decision regarding that employee’s or applicant’s employment, wages, advancement, job assignment, or any other condition of employment or career development.
  - Retaliation or other adverse actions against those who report, in good faith, suspected violation of the law or policy. Any employee who believes that they have been subject to retaliation should report the issue immediately.

4.3.8 SOCIAL INDICATORS

Global headcount

With the convergence of our HR information systems, data on all social indicators are collected and consolidated at the corporate level. The only exception is health and safety data, which are issued from our sustainability reporting tool. The health and safety survey covered 69 countries.

Social Indicators	**2010**	**2011**	**2012**	**2012 Perimeter**
1. Headcount				
Total headcount as of December 31	78,139	74,366	72,344	100%
Number of recruits	8,661	4,331	4,776	100%
Headcount increase due to the full consolidation of previously non-fully consolidated companies	53	51	62	100%
Headcount increase due to acquisitions and insourcing	3,687	442	47	100%
Headcount reductions	(10,978)	(8,618)	(8,543)	
Headcount reduction due to businesses transferred or sold	(1,153)	(14)	(1961)	100%
Headcount reduction due to outsourcing and transfers	(666)	(857)	(73)	100%
Headcount reduction due to redundancies	(2,660)	(1,542)	(1700)	100%
Headcount reduction due to normal departures (retirements, end of temporary work contracts, resignations, deaths)	(6,499)	(6,205)	(4809)	100%
2. Diversity				
Percentage of women/headcount	22%	21%	21%	100%
Percentage of men/headcount	78%	79%	79%	100%
Percentage of women (Leadership Pipeline)	19%	19%	23%	100%
Number of disabled employees	148	157	168	France(1)
3. Training				
Training budget (as a percentage of payroll)	1.00%	1.00%	1.00%	100%
Total hours of training per employee	17.8	16	15	100%
Percentage of training time via e-learning technologies	38%	40%	51%	100%
4. Mobility				
Number of expatriates worldwide	498	391	358	100%
Expatriates by host region (Europe)	151	100	97	100%
Expatriates by host region (North America)	31	24	25	100%
Expatriates by host region (South America)	12	8	7	100%
Expatriates by host region (Middle East, Africa and India)	147	131	129	100%
Expatriates by host region (Asia-Pacific)	157	128	100	100%
5. Health and Safety				
Number of days of absence due to work-related accidents including occupational diseases per employee	0.07	0.08	0.07	98%(2)
Frequency rate for work-related accidents including occupational diseases (number of accidents per year, per 1 million hours worked)	1.48	1.42	1.21	98%

(1) For Alcatel-Lucent France legal entity.

(2) Based on country legislations.

Additional notes

- In 2012, number of days of absence due to work-related accidents including occupational diseases per employee by region is 0.18 in APAC, 1.31 in EMEA and 1.92 in Americas.
- In 2012, distribution of frequency rate for work-related accidents including occupational diseases for total employee headcount by region was 0.01 in APAC, 0.08 in EMEA and 0.11 in Americas.
- Regarding the number of absence days due to work-related accidents including occupational diseases per employee: this value is the best possible estimate based on available data and given the challenges which may occur to a global company of our size, when trying to apply a common definition in all the countries where we are present. Each country has its own practices and/or regulations. Since some countries report calendar days instead of working days, the published indicator is overvalued.

4.4 SOCIETAL COMMITMENTS TOWARD SUSTAINABILITY

4.4.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT

Approach to digital inclusion

Digital inclusion and broadband universal access are key pillars of our product and solution portfolio, reinforcing our vision of "realizing the potential of a connected world." Our approach to digital inclusion focuses on the following areas:

Technology: Our goal is to make communications more sustainable, affordable and accessible through products and solutions that utilize our High Leverage Network™ platform and leverage the latest advances in wireline and wireless technologies (e.g., DSL2, GPON, fiber, small cells, 4G LTE).

Research: In 2012, a Bell Labs model for assessing the socio-economic impact of ubiquitous network access was applied to several countries around the world. New market-insight research was also conducted to explore how technology is driving socio-economic development in rural areas.

Education and promotion: By chairing the World Economic Forum (WEF) Global Agenda Council on ICT and by working with organizations such as the GSMA and UNESCO, we significantly expanded our public dialogue on mobile learning (mLearning) and digital inclusion. These public activities were reinforced by our work with governments worldwide, particularly in emerging countries, to promote the benefits of digital economies and inclusion.

Philanthropy: Alcatel-Lucent Foundation's activities support digital literacy benefiting young people in underserved communities around the world.

Impact on communities

A robust telecommunications infrastructure fosters equality by democratizing information and enabling the promotion of fundamental human rights. Alcatel-Lucent positively affects the communities in which it operates by following policies and procedures that emphasize hiring local personnel, evaluating local suppliers, minimizing environmental impact and developing actions as part of our digital inclusion strategy that enhance quality of life for residents. We then measure the impact of our actions on the communities we serve according to a range of social, environmental and economic indicators. For instance, we measure the success of our digital inclusion initiatives based on: user time spent using the technology; user life-quality improvement; social changes and environmental benefits in the community; reputational benefits; revenues.

For example, in February 2012, Alcatel-Lucent and key national stakeholders in New Zealand applied a Bell Labs model for assessing the impact of broadband access associated with Ultra-Fast Broadband (UFB) and Rural Broadband Initiative (RBI) investments across the country. The study showed that by enabling applications such as teleworking, videoconferencing, remote patient monitoring, online training and even remote sheep herding, UFB and RBI will add more than $5 billion to New Zealand's GDP over a 20-year period. The study also found that the combined consumer surplus from using high-speed broadband applications significantly outstripped the GDP impact of building the UFB and RBI networks.

4.4.2 ENGAGEMENT WITH STAKEHOLDERS

Our approach to dialogue and action

Stakeholder dialogue is the cornerstone of our approach to sustainability. Throughout 2012, we dialogued with new and existing stakeholders in the public sector, private sector, academia, civil society as well as employees to respond to the global challenges of climate change, rural inclusion and the evolution of digital economies. Completely transparent and premised on meaningful action, our interactions with partners included direct discussions, joint initiatives, global forums and online conversations through channels such as the Alcatel-Lucent's Blog, Twitter, YouTube and our internal social media platform, Engage. In all stakeholder engagements, we apply relevant stakeholder governance structures and ethics and compliance policies.

Annual stakeholder engagements: Key annual external stakeholder engagements in 2012 included our expanded leadership role within the World Economic Forum (WEF) in particular, our chairmanship of the Global Agenda Council on Information and Communication Technologies and our new participation in the Global Agenda Council on Sustainability Governance as well as our continued participation in WEF events such as:

- Annual Meeting at Davos
- Summer Davos in China
- Regional events throughout Southeast Asia, the Middle East and North Africa

We also maintained a leadership role in the United Nations Broadband Commission and the International Telecommunications Union, promoting important discussions with public authorities, regulators and countries with emerging economies. Topics included broadband access, energy efficiency and digital inclusion; discussions were held at events such as Mobile World Congress.

mLearning and eco-sustainability: By partnering with the WEF, GSMA, UNESCO, USAID (via the mEducation Alliance) and other organizations, we were able in 2012 to significantly develop our activities related to increasing mLearning in developing countries. We also championed a number of eco-sustainability initiatives including leading the development of the GeSI report, *Smarter 2020: The Role of ICT in Driving a Sustainable Future*. Finally, we reached out to new stakeholders such as the World Wildlife Fund, Greenpeace and the United Nations Global Compact's regional networks to promote greater awareness of and exchange best practices on eco-sustainability as well as supply chain.

Philanthropy and volunteering

The purpose of the Alcatel-Lucent Foundation is to ensure we meet our commitment to social responsibility by supporting programs that serve and enhance the communities in which our employees and customers live.

Alcatel-Lucent Foundation leads our charitable activities, managing contributions to programs for underserved communities, with particular emphasis on providing access to education and life-skills/vocational training to youth (particularly young women) in underserved communities. In 2012, the Foundation provided U.S.$ 8.6 million in funding for carefully selected programs around the world. It also organizes and promotes volunteerism among company employees.

In 2012, the Alcatel-Lucent Foundation also:

- Supported 51 programs in 25 countries
- Delivered its ConnectEd signature program in five countries
- Supported more than 10,100 Alcatel-Lucent employees in donating approximately 60,000 hours to more than 180 goodwill projects in 37 countries

4

4.4.3 RESPONSIBLE PURCHASING

We are committed to promoting sustainability throughout our supply chain and, in particular, among the third-party suppliers who provide us with components, products, software, support or services. Our comprehensive approach to responsible purchasing stands on three pillars:

- **Require:** Communicate clear sustainability requirements to suppliers through contractual purchasing requirements and product or service specifications
- **Assess:** Evaluate suppliers' sustainability performance through ratings and onsite audits
- **Improve:** Push and support the improvement efforts of suppliers whose performance is not at the expected level

Sustainability requirements for suppliers

As a mandatory element of all agreements, Alcatel-Lucent requires suppliers to comply with clearly defined principles based on international and sectorial standards. Our key references are the United Nations Global Compact's 10 principles and the Electronics Industry Citizenship Coalition Code of Conduct.

Assessment of supplier sustainability performance

Supplier's risk assessments: We perform risk assessments when evaluating new suppliers. We also reassess the risk levels of our major suppliers on an annual basis. These assessments measure the level of risk according to the supplier's type of activity, location and other factors. If the overall risk level is excessive, either the supplier may be rejected or actions such as a formal sustainability rating process may be taken to ensure the supplier's practices meet our requirements.

EcoVadis sustainability ratings: Suppliers' assessments are performed by EcoVadis, a company specializing in sustainable supply management solutions. Based on internationally recognized standards such as the Global Reporting Initiative and the UN Global Compact, the EcoVadis rating system focuses on suppliers' social, ethical, environmental and health and safety practices, as well as their management of their own supply chains. Ratings are determined by EcoVadis experts who combine supplier questionnaire responses, supporting documentation and third-party information and risk factors mapped according to industrial sector and country. EcoVadis ratings give Alcatel-Lucent a clear, external, objective point of reference. Suppliers can decide to share their assessment results with any EcoVadis platform member and thereby capitalize on their sustainability rating.

Our main contractors are covered by assessments: The sustainability practices of 94% of our key and product preferred suppliers were assessed by the end of 2012.

Alcatel-Lucent sustainability audits: We conduct two types of audits of our suppliers: quality audits (which include sustainability criteria) and more comprehensive sustainability-dedicated audits. On-site sustainability audits are typically conducted for suppliers having an unsatisfactory EcoVadis rating and with a high sustainability risk profile. Quality audits are a supplier selection element and are performed by our Supplier Quality team.

Improving suppliers' sustainability performance

We require suppliers with unsatisfactory EcoVadis ratings or audit results to draft and implement remedial plans addressing the identified weaknesses. To support them, we provide recommendations and determine if the overall improvement plan is sufficient.

Both high spend and high risk suppliers are covered by assessments and pushed to improve: 70% of active suppliers assessed on sustainability by EcoVadis were rated as "satisfactory" or above by the end of 2012 versus 60% by the end of 2011. Active suppliers are key, preferred and other active suppliers who may require assessments because of their risk level.

For further information please refer to chapter 7.4 of Annual Report on Form 20-F.

4.4.4 FAIR PRACTICES

Ethics and compliance

We have a zero tolerance policy for compliance violations and reinforce full integrity in every business action from every employee.

Ethics and Compliance Council: The Alcatel-Lucent Ethics and Compliance Council was established in February 2007 and is composed of the Chief Compliance Officer and representatives from Law, Audit and Finance, Human Resources & Transformation, Communications, Business & Information Technology Transformation, Procurement & Design-to-Cost, Corporate Security, Global Delivery and the Office of Business Integrity & Compliance. This Council meets bi-monthly and is responsible for overseeing the company-level design and implementation of an integrated ethics and compliance system.

Ethics & Compliance Management System: We have implemented a comprehensive Ethics & Compliance Management System designed to promote compliance and ethical behavior consistent with the highest standards of our customers, shareholders and employees. Specifically, this system aims to prevent and detect violations of law, regulation and company policy, and to cultivate an ethical business culture throughout the company.

Key elements of the Ethics & Compliance Management System include:

- A comprehensive compliance governance structure
- The Alcatel-Lucent Code of Conduct
- Policies, procedures and controls
- Monitoring and auditing practices
- Annual compliance risk assessment (with related mitigation plans and processes for continuous improvement)
- Education and training
- Ethics and compliance communications focusing on maintaining a 'speak-up' culture
- Consolidated Compliance Hotline and other reporting venues
- Global compliance-resolution process

Key achievements in 2012 included:

- 97% participation in ethical leadership training for people managers
- 99% participation by employees globally in the annual Code of Conduct review and acknowledgment process

Actions taken to prevent corruption

Anti-corruption is our top compliance priority. Our policy is to conduct business only on the merits of our products, services and people. We never pay, offer or promise to provide anything of value to obtain or retain business or to secure any improper advantage, and we never allow a representative or business partner to make illegal payments or promises on our behalf. Our Anti-Corruption Compliance Program focuses on ensuring employee awareness of and compliance with company policies and applicable laws such as the United States Foreign Corrupt Practices Act and the United Kingdom Bribery Act.

Key anti-corruption activities in 2012 included :

- Ongoing monitoring of legislative and regulatory activities
- Annual program self-assessment and development of related enhancement plans
- Annual compliance risk assessment with related mitigation plans
- Regular status reporting to senior management
- Continued implementation of EZVisit, a tool to ensure gifts, travel and hospitality events are granted in accordance with anti-corruption policies
- Continued risk management of sales third-parties by applying our third-party screening and selection process

In 2012, every part of our business (including regions, business groups and central functions) was analyzed for risks related to corruption. To ensure full alignment, each operating unit's compliance risk assessment report was reviewed, approved and documented by the Executive Committee member responsible for that organization. Consolidated risk assessment results are shared regularly with all interested stakeholders, including senior management. In addition, unit compliance leaders provide quarterly status reports to the Office of Business Integrity & Compliance on how their units are implementing their action plans.

Impacts of our products on health and safety

Alcatel-Lucent is committed to meeting the needs of its clients and to ensuring the safety of its employees and the general public. We assess the health and safety impacts of all our products at all stages of their lifecycles. For example, during the design phase, we work with suppliers to avoid the use of hazardous materials. We ensure that all materials are prepared for transportation according to nationally or internationally accepted regulations. Our technical documentation provides specific guidance for the safe use of our products. And mandatory training for Alcatel-Lucent Services personnel covers a range of topics to ensure a safe workplace.

Additionally, all Alcatel-Lucent products that emit radio frequency (RF) energy must comply with country-specific regulations for human exposure to RF emissions in the manufacturing and product-use phases. Compliance is determined either by analytical assessment or measurement of propagated RF energy. Finally, our company requirement dictates that all electronic waste is shipped to processing facilities that have passed our EHS liability assessment. Unless otherwise specified, all electronic waste is processed to recover as much of its recyclable material as possible.

Safety within the electromagnetic environment

We closely follow health and regulatory issues related to wireless communications, including those associated with the electromagnetic environment. This effort has been recognized by third parties such as the Dow Jones Sustainability Index, which for the past five years has assigned Alcatel-Lucent the highest score achievable in the electromagnetic fields category. We actively contribute to the international standardization bodies that develop exposure assessment standards. We ensure our product portfolio – including macro cells, small cells and WiFi – complies with national and international standards and regulations on human exposure.

Our position regarding the electromagnetic environment is based on the opinion of more than 150 expert committees mandated by national and international authorities to assess the advancement of scientific knowledge. All have been consistent in concluding there is no established health effect from exposure to RF fields below the limits set by the International Commission on Non-Ionizing Radiation Protection (ICNIRP) or the Institute of Electrical and Electronics Engineers (IEEE) – the international commissions recognized by the World Health Organization (WHO).

As outlined in the WHO's Fact Sheet 304: "Considering the very low exposure levels and research results collected to date, there is no convincing scientific evidence that the weak radio frequency signals from base stations and wireless networks cause adverse health effects." This statement applies to all mobile and wireless network technologies implemented by Alcatel-Lucent, including CDMA, GSM, W-CDMA/UMTS, LTE and Wi-Fi.

Harmonizing exposure limits

We track the evolution of the scientific knowledge on which present exposure limits are based. Expert committees such as Europe's Scientific Committee on Emerging and Newly Identified Health Risks conclude there is no established health effect at exposure levels below the guidelines developed by ICNIRP.

Contributing to international standardization initiatives

We support the development of human exposure assessment standards through international standardization bodies and industry associations. We also contribute to the global standardization framework of exposure assessment methods coordinated by the International Electrotechnical Commission. This framework aims to harmonize exposure assessment methods from regional and international standardization bodies such as the IEEE and the European Committee for Electrotechnical Standardization.

4.4.5 INDUSTRY DIALOGUE ON HUMAN RIGHTS

We consider the United Nations (UN) Guiding Principles on Business and Human Rights – the so-called "Ruggie Principles" that led to the establishment of the UN Protect, Respect and Remedy Framework – to be a significant milestone. This framework, endorsed in June 2011, clarifies the responsibility of governments to protect human rights and the responsibility of the business community to respect human rights in their global operations and eco-system.

In 2012, Alcatel-Lucent updated its Human Rights policy in line with the UN Guiding Principles on Business and Human Rights and designed internal processes to ensure its implementation. We are now working with other stakeholders in the telecommunications industry (e.g., operators and vendors) to define how the Protect, Respect and Remedy Framework should be applied in our sector, especially as it relates to privacy and freedom of expression.

The Industry Dialogue on Human Rights was initiated during the summer of 2011 to explore the interactions and boundaries between the duty to protect and the responsibility to respect human rights. In 2012, participating companies jointly developed broadly accepted principles to ensure respect for privacy and freedom of expression in their activities. The Industry Dialogue also opened discussions in late 2012 with the Global Network Initiative to serve as a future host for the initiative and principles in 2013. Alcatel-Lucent has also joined the GeSI Human Rights Working Group to ensure open discussion on best practices for human rights in the telecommunications sector.

ASSURANCE STATEMENT

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Alcatel-Lucent

Year ended December 2012, 31st

Independent verifier’s attestation and limited assurance report on social, environmental and societal information

Ernst & Young et Associés

Alcatel-Lucent

Year ended December 2012, 31st

Independent verifier's attestation and limited assurance report on social, environmental and societal information

To the General Management,

Pursuant to your request and in our capacity as independent verifier of Alcatel-Lucent, we hereby report to you on the consolidated social, environmental and societal information presented in the management report issued for the year ended December 2012, 31st in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

Management's Responsibility

The Executive Board is responsible for the preparation of the management report including the consolidated social, environmental and societal information (the "Information") in accordance with the requirements of Article R. 225-105-1 of the French Commercial Code (*Code de commerce*), presented as required by the entity's internal reporting standards (the "Guidelines") and available at the entity's premises.

Our Independence and Quality Control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession (*Code de déontologie*) and Article L. 822-11 of the French Commercial Code (*Code de commerce*). In addition, we maintain a comprehensive system of quality control including documented policies and procedures to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent verifier's responsibility

It is our role, on the basis of our work:

- To attest whether the required Information is presented in the management report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (*Code de commerce*) and Decree no. 2012-557 dated 24 April 2012 (Attestation of presentation);
- To provide limited assurance on whether the Information is presented fairly, in all material respects, in accordance with the Guidelines (limited assurance).

1. Attestation of presentation

Our engagement was performed in accordance with professional standards applicable in France:

- We compared the Information presented in the management report with the list as provided in Article R. 225-105-1 of the French Commercial Code (*Code de commerce*) ;
- We verified that the Information covers the consolidated perimeter, namely the entity and its subsidiaries within the meaning of Article L. 233-1 and the controlled entities within the meaning of Article L. 233-3 of the French Commercial Code (*Code de commerce*) within the limits specified as necessary in footnotes associated with the indicators;
- In the event of the omission of certain consolidated Information, we verified that an appropriate explanation was given in accordance with Decree no. 2012-557 dated 24 April 2012.

On the basis of our work, we attest that the required Information is presented in the management report.

2. Limited assurance report

Nature and scope of the work

We conducted our engagement in accordance with ISAE 3000 (International Standard on Assurance Engagements) and French professional guidance. We performed the following procedures to obtain limited assurance that nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material respects, in accordance with the Guidelines. A higher level of assurance would have required extending the scope of our verification work.

Our work consisted in the following:

- We assessed the appropriateness of the Guidelines as regards their relevance, completeness, neutrality, clarity and reliability, taking into consideration, where applicable, the good practices in the sector.
- We verified that the Group had set up a process for the collection, compilation, processing and control of the Information to ensure its completeness and consistency. We examined the internal control and risk management procedures relating to the preparation of the Information. We conducted interviews with those responsible for social and environmental reporting.
- We selected the consolidated Information to be tested[1] and determined the nature and scope of the tests, taking into consideration their importance with respect to the social and environmental consequences related to the Group's business and characteristics, as well as its societal commitments.
  - Concerning the quantitative consolidated information that we deemed to be the most important:
    - at the level of the consolidating entity and the controlled entities, we implemented analytical procedures and, based on sampling, verified the calculations and the consolidation of this information;
    - at the level of the sites that we selected[2] based on their business, their contribution to the consolidated indicators, their location and a risk analysis:
      - we conducted interviews to verify that the procedures were correctly applied;
      - we performed tests of detail based on sampling, consisting in verifying the calculations made and reconciling the data with the supporting documents.

    The sample thus selected represents on average 21% of the workforce and between 12% and 23% of the quantitative environmental information tested.
  - Concerning the qualitative consolidated information that we deemed to be the most important, we conducted interviews and reviewed the related documentary sources in order to corroborate this information and assess its fairness.
- As regards the other consolidated information published, we assessed its fairness and consistency in relation to our knowledge of the company and, where applicable, through interviews or the consultation of documentary sources.
- Finally, we assessed the relevance of the explanations given in the event of the absence of certain information.

Comments on Guidelines and the Information

We wish to make the following comments on the Guidelines and the Information:

- The Group should assure that the definitions provided in the Guidelines are sufficiently clear and precise to ensure the uniformity of reporting practices between sites for the indicator "number of days of absence due to work-related accidents including occupational diseases per employee".
- The Guidelines could provide additional details related to internal controls to be performed and extrapolation methodologies to be used, as well as to clarify the roles of data contributors and those responsible for validating the data. This is especially the case for the calculations related to energy consumption and greenhouse gas emissions.

---

1 **Social and societal information:** total headcount; dismissals; remuneration; work-related accidents and occupational disease; training; measures taken for gender equality; territorial, economic and social impact of the activity; support activities; sub-contracting and suppliers.
Environmental information: waste production, consumption of raw materials and measures taken to improve efficiency of their use; energy consumption; measures taken to improve energy efficiency; greenhouse gas emissions.

2 Calais (France), Naperville 1960 (US), Naperville 2000 (US), Shanghai - Ningqiao Rd. (China), Shanghai -Xizang Bei Rd. (China), Villarceaux (France).

Conclusion

Limited assurance

Based on our work described in this report, nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material respects, in accordance with the Guidelines.

Paris-La Défense, March 11, 2013

The Independent Verifier
Ernst & Young et Associés

French original signed by:

Eric Mugnier

GRENELLE II CORRESPONDENCE TABLE

The data presented in the Sustainability chapter provides a summary of the social, environmental and societal aspects of Alcatel-Lucent's business activities in accordance with French decree No. 20112-557 of 24 April 2012 requiring companies to report on the social and environmental impact of their business (*decree implementing article 225 of law No. 2010-788 of 12 July 2010, known as "Grenelle 2", which requires companies to publish social, environmental and governance information in the annual report of the board of governors or management board pursuant to law No. 2001-420 of 15 May 2001 relating to France's so-called "NRE" (New Economic Regulations act) and article 12 of law No. 2012-387 of 22 March 2012 relating to the simplification and easing of legal and administrative procedures, which modified article L. 225-102-1 of the French Commercial Code*).

Subject	Topic	Required information	References
Environment	Overall environmental policy	Company organization to take into account environmental issues (including policy, assessment approach or certification)	4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Employee awareness training and communication activities on environmental protection	4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Allocation of resources to prevent environmental risks and pollution	4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Amount of provisions and guarantees to address environmental risks, provided such information is not likely to cause serious harm to society in an ongoing dispute	4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Pollution and waste management	Prevention, reduction or compensation measures for air emissions or water and soil discharges that seriously affect the environment	4.2.2 POLLUTION AND WASTE MANAGEMENT
Environment	Pollution and waste management	Actions taken to support prevention, recycling and waste disposal	4.2.2 POLLUTION AND WASTE MANAGEMENT; 4.2.6 ENVIRONMENT INDICATORS
Environment	Pollution and waste management	Inclusion of noise pollution and any other form of pollution specific to the activity in question	4.2.2 POLLUTION AND WASTE MANAGEMENT
Environment	Sustainable use of resources	Water consumption and water supply based on local conditions	4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.6 ENVIRONMENT INDICATORS
Environment	Sustainable use of resources	Consumption of raw materials and measures taken to improve the efficiency of their use	4.2.3 SUSTAINABLE USE OF RESOURCES
Environment	Sustainable use of resources	Energy consumption, measures taken to improve energy efficiency and renewable energy use	4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.6 ENVIRONMENT INDICATORS
Environment	Sustainable use of resources	Soil use	4.2.5 BIODIVERSITY PROTECTION
Environment	Climate Change	Greenhouse gas emissions	4.2.4 CLIMATE CHANGE; 4.2.6 ENVIRONMENT INDICATORS
Environment	Climate Change	Adaptation to the impact of climate change	4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Biodiversity protection	Measures taken to protect or develop biodiversity	4.2.5 BIODIVERSITY PROTECTION
Social	Employment	Total number and breakdown of employees by gender, age and geography	4.3.1 EMPLOYMENT; 4.3.8 SOCIAL INDICATORS
Social	Employment	Hirings and dismissals	4.3.1 EMPLOYMENT; 4.3.8 SOCIAL INDICATORS
Social	Employment	Compensation and evolution	4.3.1 EMPLOYMENT
Social	Work organization	Work time organization	4.3.2 WORK ORGANIZATION AND MANAGEMENT
Social	Work organization	Absenteeism	4.3.2 WORK ORGANIZATION AND MANAGEMENT
Social	Social relationships	Organization of social dialogue, including procedures for consultation and negotiation with staff	4.3.3 SOCIAL RELATIONSHIPS
Social	Social relationships	Review of collective agreements	4.3.3 SOCIAL RELATIONSHIPS
Social	Health and Safety	Health and safety work conditions	4.3.4 HEALTH AND SAFETY
Social	Health and Safety	Review of agreements signed with trade unions or staff representatives on workplace health and safety	4.3.4 HEALTH AND SAFETY
Social	Health and Safety	Occupational accidents (including frequency and severity rates) and occupational diseases	4.3.4 HEALTH AND SAFETY; 4.3.8 SOCIAL INDICATORS
Social	Training	Training policies	4.3.5 TRAINING
Social	Training	Total number of hours trained	4.3.5 TRAINING
Social	Equal opportunity	Measures in favor of equality between women and men	4.3.6 DIVERSITY AND EQUAL OPPORTUNITY
Social	Equal opportunity	Measures for employment and integration of disabled people	4.3.6 DIVERSITY AND EQUAL OPPORTUNITY
Social	Equal opportunity	Policies against discrimination	4.3.6 DIVERSITY AND EQUAL OPPORTUNITY

Subject	Topic	Required information	References
Social	Promotion and enforcement of ILO core conventions	Freedom of association and collective bargaining rights	4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the elimination of discriminatory treatment in employment and occupation	4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the elimination of forced or compulsory work	4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the effective abolition of child labor	4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Societal	Territorial, economic and social impact of the company	in terms of employment and regional development	4.4.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT
Societal	Territorial, economic and social impact of the company	on local population	4.4.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT
Societal	Relationships with persons or organizations interested in the company’s business, including:	Dialogue conditions with those persons or organizations	4.4.2 ENGAGEMENT WITH STAKEHOLDERS
Societal	Relationships with persons or organizations interested in the company’s business, including:	Actions of partnership or philanthropy	4.4.2 ENGAGEMENT WITH STAKEHOLDERS
Societal	Subcontractors and suppliers	Consideration of social and environmental issues in the company’s procurement policy	4.4.3 RESPONSIBLE PURCHASING
Societal	Subcontractors and suppliers	Importance of subcontracting and the social and environmental responsibility of suppliers and subcontractors	4.4.3 RESPONSIBLE PURCHASING
Societal	Fair practices	Actions taken to prevent corruption	4.4.4 FAIR PRACTICES
Societal	Fair practices	Measures taken for consumer health and safety	4.4.4 FAIR PRACTICES
Societal	Human rights: Actions taken to support human rights	Human rights: Actions taken to support human rights	4.4.5 INDUSTRY DIALOGUE ON HUMAN RIGHTS

Printed by RR Donnelley. Paper produced from sustainably managed forests.

MIX
Paper from responsible sources
FSC® C002160

INVESTOR RELATIONS

3, avenue Octave Gréard - 75007 Paris - France
Tel. : +33 1 40 76 10 10 - Fax : +33 1 40 76 14 05

www.alcatel-lucent.com

Alcatel·Lucent