Alcatel·Lucent
10 New England Avenue
Piscataway, NJ 08854

RETIRED/TERMINATED EMPLOYEES

Annual Funding Notice

FOR PLAN YEAR JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

Alcatel-Lucent Retirement Income Plan

ALRIP RT

2010
Annual Funding Notice
for
Alcatel-Lucent Retirement Income Plan

Introduction

This notice includes important information about the funding status of your pension plan (the "Plan") and general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation (the "PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is for the plan year (the "Plan Year") beginning January 1, 2010 and ending December 31, 2010.

NOTE: If you are a former participant in the Lucent Technologies Inc. Pension Plan (the "LTPP") whose pension was transferred to the Plan in 2010, this notice includes important information about the funding status of the Plan in which you now participate. You will not receive an Annual Funding Notice for your former plan.

NOTE: If you are a former participant in the Alcatel Data Networks Inc. Retirement Pension Plan (the "ADN Plan"), which was merged into the Plan in 2010, this notice includes important information about the funding status of the Plan in which you now participate. As a result of the merger, there is no longer an Annual Funding Notice for the ADN Plan.

How Well Funded Is Your Plan

Under federal law, the Plan must report how well it is funded by using a measure called the "funding target attainment percentage." This percentage is obtained by dividing the Plan's Net Plan Assets by Plan Liabilities on the Valuation Date for the Plan Year. In general, the higher the percentage, the better funded the plan. Your Plan's funding target attainment percentage for the Plan Year, and each of the two preceding Plan Years, is shown in the chart on page 3, along with a statement of the value of the Plan's assets and liabilities for the same period.

Note: A plan's funding target attainment percentage is measured as of the plan's "Valuation Date," which is the first day of the Plan Year at issue. Thus, in the chart on page 3, the funded status of your Plan is shown as of the beginning of each Plan Year (e.g., as of January 1, 2010, January 1, 2009, etc.).

Funding Target Attainment Percentage

($thousands)

	2010	2009	2008
1. Valuation Date	1/1/2010	1/1/2009	1/1/2008
2. Plan Assets			
a. Total Plan Assets	$16,009,805	$15,104,485	$19,191,806
b. Funding Standard Carryover Balance	$13	$0	$0
c. Prefunding Balance	$0	$0	$0
d. Net Plan Assets: (a) – (b) – (c) = (d)	$16,009,792	$15,104,485	$19,191,806
3. Plan Liabilities	$15,349,524	$13,452,925	$16,298,750
4. At-Risk Liabilities	not applicable	not applicable	not applicable
5. Funding Target Attainment Percentage: (2d)/(3)	104%	112%	118%

a) Plan Assets and Credit Balances

Plan Asset values in the chart above are market values. Because market values can fluctuate daily based on factors in the marketplace (such as in the stock market), pension law allows plans to use actuarial values that are designed to smooth out those fluctuations for funding purposes. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. Actuarial (smoothed) values tend to show a clearer picture of a plan's funded status over a period of time.

Note: For the 2009 Plan Year, the Plan's sponsoring employer, Alcatel-Lucent USA Inc. (the "Company"), elected to use the market value assets for plan funding purposes. For the 2010 Plan Year, the Company has until October 15, 2011, to decide on the methodology to be used for determining the value of Plan Assets. For purposes of comparison, as of January 1, 2010 (the Valuation Date used in the chart above), the Plan's Net Plan Assets using a two-year actuarial (smoothed) valuation method was $16,434,248,000. With Plan Liabilities of $15,349,524,000 (see chart above), the Plan's funding target attainment percentage for the 2010 Plan Year using a two-year actuarial (smoothed) valuation method would be 107% rather than 104% using market value.

Total Plan Assets is the value of the Plan's assets on the Valuation Date (see line 2 in the chart above). Credit balances were subtracted from Total Plan Assets to determine Net Plan Assets (line 2 d) used in the calculation of the funding target attainment percentage shown in the chart above. While pension plans are permitted to maintain credit balances (also called "Funding Standard Carryover Balance" or "Prefunding Balance" see 2 b & c in the chart above) for funding purposes, they may not be taken into account when calculating a plan's funding target attainment percentage. A plan might have a credit balance, for example, if in a prior year an employer made contributions to the plan above the minimum level required by law. Generally, the excess contributions are counted as "credits" and may be applied in future years toward the minimum level of contributions a plan sponsor is required to make by law.

b) Plan Liabilities

Plan Liabilities shown on line 3 in the chart above are the liabilities used to determine the Plan's funding target attainment percentage. This figure is an estimate of the amount of assets the Plan needs on the Valuation Date to pay for promised benefits under the Plan.

Participant Information

The total number of participants in the Plan as of the Plan's Valuation Date was 94,983. Of this number, 11,574 were active participants, 56,879 were retired or separated from service and receiving benefits, and 26,530 were retired or separated from service and entitled to future benefits.

Plan Mergers/Consolidations During 2010

During the 2010 Plan Year, two mergers/consolidations occurred with respect to the Plan. First, on June 30, 2010, the ADN Plan — a plan sponsored by Alcatel-Lucent Holdings Inc. (formerly known as Alcatel USA, Inc.) and assigned plan number 002 [PN 002] by Alcatel USA Inc. — was merged with and into the Plan. The total number of participants in the ADN Plan at the time of the merger was approximately 318. The impact of the merger on the funded status of the Plan was not material, given the relatively small size of the ADN Plan's assets and liabilities when compared to those of the Plan.

Second, on December 1, 2010, certain participants (and the surviving spouses, contingent beneficiaries and alternate payees of such participants) in the Lucent Technologies Inc. Pension Plan (the "LTPP") (assigned plan number 002 [PN 002] by the Company) were transferred to the ALRIP. Specifically, four groups of participants (and associated surviving spouses, contingent beneficiaries and alternate payees of such participants) were the subject of the transfer: participants who (i) when last actively employed by the Company or an affiliate of the Company that adopted the LTPP for the benefit of its eligible employees (a "Participating Company"), were represented for purposes of collective bargaining by unions other than the Communications Workers of America or the International Brotherhood of Electrical Workers; (ii) when last actively employed by the Company or a Participating Company, were classified by their employer as "Lucent Business Assistants" ("LBAs"); (iii) were transferred to the LTPP from the AT&T Pension Plan (the "AT&T Plan") and were, when last actively employed by the sponsor of the AT&T Plan or a participating company with respect to that plan, represented for purposes of collective bargaining by unions other than the Communications Workers of America or the International Brotherhood of Electrical Workers; and (iv) were transferred to the LTPP from the AT&T Plan and were, when last actively employed by the sponsor of the AT&T Plan or a participating company with respect to that plan, classified by their employer as non-represented occupational employees. The number of participants transferred was approximately 6,300. The transfer of the foregoing participants from the LTPP to the Plan is estimated to have improved the funded status of the Plan by approximately one to two percentage points.

Year-End Assets and Liabilities

The asset values in the chart on page 3 are measured as of the first day of the Plan Year. As of December 31, 2010, the fair market value of the Plan's assets was $17,231,150,000. On this same date, the Plan's liabilities were $17,159,068,000. This information reflects the impact of the Plan mergers/consolidations that occurred during 2010. (See "Plan Mergers/Consolidations During 2010" above.)

Funding and Investment Policies

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of assets needed to pay for promised benefits. The Company's funding policy with respect to the Plan is to contribute amounts sufficient to meet the minimum funding requirements of federal law plus such additional amounts as the Company may determine to be appropriate.

Once money is contributed to the Plan, the money is invested by plan officials, called fiduciaries, who make specific investments in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning investment management decisions.

The investment policy of the Plan is as follows: The Plan invests in various asset categories in accordance with asset allocation percentages approved by the Alcatel-Lucent Board of Directors. Each asset category has an underlying investment strategy and diversification requirement, which is monitored by plan fiduciaries. Because the various asset categories will generate different returns over time, the Plan is rebalanced, as appropriate, to the asset allocation percentages approved by the Alcatel-Lucent Board of Directors.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

Asset Allocations		**Percentage**
1.	Cash (interest bearing and non-interest bearing)	
2.	U.S. Government securities	
3.	Corporate debt instruments (other than employer securities):	
	a. Preferred	
	b. All other	
4.	Corporate stocks (other than employer securities):	
	a. Preferred	
	b. All other	
5.	Partnership/joint venture interests	
6.	Real estate (other than employer real property)	
7.	Loans (other than to participants)	
8.	Participant loans	
9.	Value of interest in common/collective trusts	
10.	Value of interest in pooled separate accounts	
11.	Value of interest in master trust investment accounts	100
12.	Value of interest in 103-12 investment entities	
13.	Value of interest in registered investment companies (e.g., mutual funds)	
14.	Value of funds held in insurance co. general account (unallocated contracts)	
15.	Employer-related investments:	
	a. Employer securities	
	b. Employer real property	
16.	Buildings and other property used in plan operation	
17.	Other	

You may obtain information about the Plan's investment in master trust investment accounts by writing to:

Alcatel-Lucent
Benefit Operations
600 Mountain Avenue
Room 7C-415
Murray Hill, NJ 07974

Right to Request a Copy of the Annual Report

A pension plan is required to file with the U.S. Department of Labor an annual report, called the Form 5500, that contains financial and other information about the plan. Copies of the Plan's annual report are available from the U.S. Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202-693-8673. For certain plan years, you may obtain an electronic copy of the Plan's annual report in two ways: (a) by going to the U.S. Department of Labor's website maintained for this purpose, www.efast.dol.gov, and using the Form 5500 search function, or (b) visiting Alcatel-Lucent's benefits-related website, www.benefitanswersplus.com, clicking on the panel that corresponds to your employment status (e.g., retired — management) and then, under "Get More Information," clicking on "5500 Forms." You may also obtain a copy of the Plan's annual report by writing to:

Alcatel-Lucent
Benefit Operations
600 Mountain Avenue
Room 7C-415
Murray Hill, NJ 07974

NOTE: A copy of the Plan's annual report will generally be available after October 15, 2011.

Individual information, such as the amount of your accrued benefit under the Plan, is not contained in the annual report. If you are seeking information regarding your benefits under the Plan, contact the plan administrator identified on page 8 under "Where to Get More Information."

Summary of Rules Governing Termination of Single-Employer Plans

If a plan is terminated, there are specific termination rules that must be followed under federal law. A summary of these rules follows.

There are two ways an employer can terminate its pension plan. First, the employer can end the plan in a "standard termination" but only after showing the PBGC that the plan has enough money to pay all benefits owed to participants. Under a standard termination, the plan must either purchase an annuity from an insurance company (which will provide you with periodic retirement benefits, such as monthly, for life or for a set period of time when you retire) or, if your plan allows, issue one lump-sum payment that covers your entire benefit. Your plan administrator must give you advance notice that identifies the insurance company (or companies) that your employer may select to provide the annuity. The PBGC's guarantee ends when your employer purchases your annuity or gives you the lump-sum payment.

Second, if the plan is not fully-funded, the employer may apply for a distress termination. To do so, however, the employer must be in financial distress and prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

Benefit Payments Guaranteed by the PBGC

When the PBGC takes over a plan, it pays pension benefits through its insurance program. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The amount of benefits that the PBGC guarantees is determined as of the plan termination date. However, if a plan terminates during a plan sponsor's bankruptcy and the bankruptcy proceeding began on or after September 16, 2006, then the amount guaranteed is determined as of the date the sponsor entered bankruptcy.

The PBGC maximum benefit guarantee is set by law and is updated each calendar year. For a plan with a termination date or sponsor bankruptcy date, as applicable in 2011, the maximum guarantee is $4,500 per month, or $54,000 per year, for a benefit paid to a 65-year-old retiree with no survivor benefit. If a plan terminates during a plan sponsor's bankruptcy, and the bankruptcy proceeding began on or after September 16, 2006, the maximum guarantee is fixed as of the calendar year in which the sponsor entered bankruptcy. The maximum guarantee is lower for an individual who begins receiving benefits from the PBGC before age 65; the maximum guarantee by age can be found on the PBGC's website, www.pbgc.gov. The guaranteed amount is also reduced if a benefit will be provided to a survivor of the plan participant.

The PBGC guarantees "basic benefits" earned before a plan is terminated, which include:

- pension benefits at normal retirement age;
- most early retirement benefits;
- annuity benefits for survivors of plan participants; and
- disability benefits for a disability that occurred before the date the plan terminated or the date the sponsor entered bankruptcy, as applicable.

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right, usually because you have not worked enough years for the company.
- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements.
- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.
- Early retirement payments that are greater than payments at normal retirement age may not be guaranteed. For example, a supplemental benefit that stops when you become eligible for Social Security may not be guaranteed.
- Benefits other than pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay, are not guaranteed.
- The PBGC generally does not pay lump sums exceeding $5,000.

In some circumstances, participants and beneficiaries still may receive some benefits that are not guaranteed. This depends on how much money the terminated plan has and how much the PBGC recovers from employers for plan underfunding.

Corporate and Actuarial Information on File with the PBGC

A plan sponsor must provide the PBGC with financial information about itself and actuarial information about the plan under certain circumstances, such as when the funding target attainment percentage of the plan (or any other pension plan sponsored by a member of the sponsor's controlled group) falls below 80 percent (other triggers may also apply). The sponsor of the Plan, Alcatel-Lucent USA Inc., and members of its controlled group, if any, were subject to this requirement to provide corporate financial information and plan actuarial information to the PBGC. The PBGC uses this information for oversight and monitoring purposes.

Where to Get More Information

For more information about this notice:

Former Lucent employees who are participants in the Alcatel-Lucent Retirement Income Plan may contact the Alcatel-Lucent Pension Service Center toll free at 866-429-5764, Monday through Friday from 8 a.m. to 8 p.m., Eastern Time (ET). (For the hearing impaired, the TDD number is 866-429-5765.)

Former Alcatel employees who are participants in the Alcatel-Lucent Retirement Income Plan may contact the Human Resources Service Center ("HRSC") at 888-582-3684 Monday through Friday from 9 a.m. to 6 p.m. (ET) or email them at hrsc.nar@alcatel-lucent.com.

For identification purposes, the official Plan number is PN 001 and the Plan sponsor's employer identification number or "EIN" is 22-3408857. For more information about the PBGC and benefit guarantees, go to the PBGC's website, www.pbgc.gov, or call the PBGC toll-free at 800-400-7242. (TTY/TDD users may call the Federal Relay Service toll free at 800-877-8339 and ask to be connected to 800-400-7242.)