

Consolidated Statements of Cash Flows

Lucent Technologies Inc. and Subsidiaries

(dollars in millions)

OPERATING ACTIVITIES	Years Ended September 30,		
	2000	1999	1998
Net income	\$ 1,219	\$ 4,789	\$ 1,065
Less: Income (loss) from discontinued operations, net	(462)	455	296
Less: Cumulative effect of accounting change	–	1,308	–
Income from continuing operations	1,681	3,026	769
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:			
Business restructuring reversal	(5)	(108)	(77)
Asset impairment and other charges	–	236	–
Depreciation and amortization	2,318	1,580	1,228
Provision for uncollectibles	252	67	129
Tax benefit from employee stock options	1,064	394	287
Deferred income taxes	466	974	88
Purchased in-process research and development	1,005	19	1,385
Adjustment to conform pooled companies' fiscal years	11	170	–
Increase in receivables – net	(1,828)	(3,250)	(1,765)
Increase in inventories and contracts in process	(2,340)	(1,699)	(199)
Increase in accounts payable	266	727	88
Changes in other operating assets and liabilities	(1,192)	(2,280)	(20)
Other adjustments for non-cash items – net	(1,394)	(818)	(461)
Net cash provided by (used in) operating activities of continuing operations	304	(962)	1,452
INVESTING ACTIVITIES			
Capital expenditures	(2,701)	(2,042)	(1,615)
Proceeds from the sale or disposal of property, plant and equipment	29	80	44
Purchases of investments	(745)	(920)	(1,385)
Sales or maturity of investments	838	1,394	838
Dispositions of businesses	250	44	329
Acquisitions of businesses – net of cash acquired	(156)	(268)	(837)
Other investing activities – net	5	(70)	(71)
Net cash used in investing activities of continuing operations	(2,480)	(1,782)	(2,697)
FINANCING ACTIVITIES			
Repayments of long-term debt	(405)	(16)	(98)
Issuance of long-term debt	72	2,193	375
Proceeds from issuance of common stock	1,444	725	659
Dividends paid	(255)	(222)	(201)
S-Corporation distribution to stockholder	–	(40)	(26)
Increase in short-term borrowings – net	1,355	705	143
Net cash provided by financing activities of continuing operations	2,211	3,345	852
Effect of exchange rate changes on cash and cash equivalents	10	41	(67)
Net cash provided by (used in) continuing operations	45	642	(460)
Net cash (used in) provided by discontinued operations	(264)	(100)	84
Net (decrease) increase in cash and cash equivalents	(219)	542	(376)
Cash and cash equivalents at beginning of year	1,686	1,144	1,520
Cash and cash equivalents at end of year	\$ 1,467	\$ 1,686	\$ 1,144

See Notes to Consolidated Financial Statements.