

LUCENT TECHNOLOGIES INC
Form 10-Q
May 09, 2006

AS FILED WITH THE SEC ON May 9, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-11639

LUCENT TECHNOLOGIES INC.

A Delaware
Corporation

I.R.S. Employer
No. 22-3408857

600 Mountain Avenue, Murray Hill, New Jersey 07974

Telephone Number: 908-582-8500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

At April 30, 2006, 4,479,915,613 common shares were outstanding.

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PART 1 - Financial Information

Item 1. Financial Statements

LUCENT TECHNOLOGIES INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Amounts in Millions, Except Per Share Amounts)
 (Unaudited)

	Three months ended March 31,		Six months ended March 31,	
	2006	2005	2006	2005
Revenues:				
Products	\$ 1,590	\$ 1,815	\$ 3,097	\$ 3,602
Services	548	520	1,088	1,068
Total revenues	2,138	2,335	4,185	4,670
Costs:				
Products	775	974	1,579	1,924
Services	437	386	829	787
Total costs	1,212	1,360	2,408	2,711
Gross margin	926	975	1,777	1,959
Operating expenses:				
Selling, general and administrative	384	423	1,040	808
Research and development	297	292	580	571
Business restructuring	(4)	(8)	(3)	(7)
Total operating expenses	677	707	1,617	1,372
Operating income	249	268	160	587
Other income (expense), net	45	43	129	(3)
Interest expense	82	85	165	174
Income before income taxes	212	226	124	410
Income taxes	31	(41)	47	(31)
Net income	\$ 181	\$ 267	\$ 77	\$ 441
Net income per share:				
Basic	\$ 0.04	\$ 0.06	\$ 0.02	\$ 0.10
Diluted	\$ 0.04	\$ 0.06	\$ 0.02	\$ 0.09
Weighted average common shares outstanding:				
Basic	4,463	4,421	4,457	4,412
Diluted	5,128	5,047	4,509	5,013

See Notes to Unaudited Consolidated Financial Statements.

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LUCENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

	March 31, 2006	September 30, 2005
ASSETS		
Cash and cash equivalents	\$ 1,377	\$ 2,410
Marketable securities	479	357
Receivables, net	1,390	1,395
Inventories	763	731
Other current assets	991	690
	<hr/>	<hr/>
Total current assets	5,000	5,583
Marketable securities	2,113	2,163
Property, plant and equipment, net	1,247	1,295
Prepaid pension costs	6,319	6,010
Goodwill and other acquired intangibles, net	439	419
Other assets	911	930
	<hr/>	<hr/>
Total assets	\$ 16,029	\$ 16,400
LIABILITIES		
Accounts payable	\$ 621	\$ 769
Payroll and benefit-related liabilities	879	1,095
Debt maturing within one year	368	368
Other current liabilities	1,684	1,588
	<hr/>	<hr/>
Total current liabilities	3,552	3,820
Postretirement and postemployment benefit liabilities	4,683	4,751
Pension liabilities	1,342	1,423
Long-term debt	5,047	5,066
Other liabilities	850	965
	<hr/>	<hr/>
Total liabilities	15,474	16,025
Commitments and contingencies		
SHAREOWNERS EQUITY		
Preferred stock par value \$1.00 per share; authorized shares: 250; issued and outstanding: none		
Common stock par value \$.01 per share; authorized shares: 10,000; 4,478 issued and 4,477 outstanding shares as of March 31, 2006, and 4,457 issued and 4,447 outstanding shares as of September 30, 2005	45	45
Additional paid-in capital	23,615	23,513
Accumulated deficit	(19,531)	(19,608)
Accumulated other comprehensive loss	(3,574)	(3,575)
	<hr/>	<hr/>
Total shareowners equity	555	375
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Total liabilities and shareowners equity	\$ 16,029	\$ 16,400

See Notes to Unaudited Consolidated Financial Statements.

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LUCENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREOWNERS EQUITY
(Amounts in Millions)
(Unaudited)

	<u>Shares of Common Stock</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Shareowners Equity</u>
Balance as of September 30, 2005	4,447	\$ 45	\$ 23,513	\$ (19,608)	\$ (3,575)	\$ 375
Net income				77		77
Foreign currency translation adjustments					6	6
Unrealized holding losses on investments					(5)	(5)
Issuance of common stock related to employee benefit plans	19		34			34
Stock-based compensation	2		42			42
Release of Telica escrow shares	9		29			29
Other			(3)			(3)
	<u>4,477</u>	<u>\$ 45</u>	<u>\$ 23,615</u>	<u>\$ (19,531)</u>	<u>\$ (3,574)</u>	<u>\$ 555</u>
Balance as of March 31, 2006	4,477	\$ 45	\$ 23,615	\$ (19,531)	\$ (3,574)	\$ 555

See Notes to Unaudited Consolidated Financial Statements.

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LUCENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Millions)
(Unaudited)

	Six Months ended March 31,	
	2006	2005
	<u> </u>	<u> </u>
Operating activities:		
Net income	\$ 77	\$ 441
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	259	310
Pension credit	(329)	(486)
Stock-based compensation expense	44	14
Other adjustments for non-cash items	(25)	60
Changes in operating assets and liabilities:		
Receivables	(20)	(150)
Inventories and contracts in process	(60)	(23)
Accounts payable	(119)	(151)
Deferred revenue	16	112
Other operating assets and liabilities	(408)	(803)
	<u> </u>	<u> </u>
Net cash used in operating activities	(565)	(676)
	<u> </u>	<u> </u>
Investing activities:		
Capital expenditures	(84)	(77)
Net purchases of marketable securities	(81)	(662)
Changes in restricted cash	(324)	
Other investing activities	(2)	
	<u> </u>	<u> </u>
Net cash used in investing activities	(491)	(739)
	<u> </u>	<u> </u>
Financing activities:		