



**Press release**

## **Alcatel Optronics posts record results for 4<sup>th</sup> Quarter and Full Year 2000**

**Paris, January 31, 2001** – Alcatel Optronics (Paris: CGO.PA and NASDAQ: ALAO), a leading supplier of optoelectronic components, today reported 4<sup>th</sup> quarter and full year 2000 results, recording a full year sales increase of 144% to Euro 432.3 million over 1999. Sales for 4<sup>th</sup> quarter increased by 126% over the corresponding period in 1999.

*“2000 has been a record year for Alcatel Optronics”, said Jean-Christophe Giroux, CEO. “We set very high objectives and we have achieved them. Revenue and profitability have both grown significantly. We’ve been successful in moving up the vertical chain into integrated subsystems and in entering the passive market. We have leveraged our presence within our external customer base, which now represents over 30% of our sales. Our capacity has ramped up substantially and we will continue this effort throughout the year.”*

*“Looking forward, we are still seeing strong demand across all product lines, driven by sustained growth in terrestrial and submarine D-WDM systems and the widening acceptance of Raman technology, which was pioneered by Alcatel Optronics. Today, I have no reason to believe that we will not meet our 2001 targets of growing sales faster than the market to a range of 60 to 65% and of improving our profitability. The first quarter will be a bit slower than average, nevertheless, we are anticipating a growth in sales close to 100% over the corresponding period last year.”*

### **4<sup>th</sup> Quarter**

Sales for 4<sup>th</sup> quarter 2000 increased by 125.5 % to Euro 146.1 million compared with Euro 64.8 million in 4<sup>th</sup> quarter 99. Gross profit amounted to Euro 50.9 million, representing a gross margin of 34.8% compared with 40.6% in Q4 99. This decrease is due in part to a change in product mix as well as a higher depreciation charge related to capex spending for capacity expansion. SG&A amounted to Euro 9.4 million or 6.4% of sales and included a charge resulting from the implementation of SAP software. R&D amounted to Euro 10.9 million or 7.5% of sales. Income from operations was registered at Euro 30.6 million representing an operating margin of 20.9%. Net income increased to Euro 17.0 million compared with Euro 11.2 million in 1999. Net income (pre-goodwill and R&D in process) amounted to Euro 19.3 million.

### **Full year 2000**

Full year 2000 revenues increased by 144.1% to Euro 432.3 million compared with Euro 177.1 million in 1999. Gross profit amounted to Euro 155.5 million, representing a gross margin of 36.0% compared with 35.3% in 1999. SG&A amounted to Euro 24.3 million, or 5.6% of sales and R&D to Euro 36.1 million or 8.4% of sales. Income from operations amounted to Euro 95.1 million, representing an operating margin of 22.0%. Net income increased to Euro 37.5 million compared with Euro 16.1 million in 1999. Net income (pre-goodwill and R&D in process) amounted to Euro 61.9 million.

Sales to external customers in 2000 represented 33% of total revenues, compared with 18% in 1999.

#### 4<sup>th</sup> Quarter and Full Year 2000 key figures

	Fourth Quarter		Full Year	
(in Euro millions)	2000	1999	2000	1999
<b>Net Sales</b>	<b>146.1</b>	<b>64.8</b>	<b>432.3</b>	<b>177.1</b>
Gross Profit	50.9	26.3	155.5	62.5
<b>Income from Operations</b>	<b>30.6</b>	<b>15.5</b>	<b>95.1</b>	<b>24.6</b>
Net Income	17.0	11.2	37.5	16.1
Net Income (pre-goodwill and R&D in process)	19.3	11.2	61.9	16.1
EPS for Class O shares under GAAP is presented in Alcatel's Financial Statements. Notional EPS calculated below is disclosed for convenience purpose.				
	Fourth Quarter		Full Year	
	2000		2000	
<b>Proforma Notional EPS*</b>	<b>€ 0.20</b>		<b>€ 0.65</b>	
Proforma Notional EPS (ADS)*	\$0.19		\$0.61	
Number of Notional Class O Shares Outstanding	94.9		94.9	

\*Proforma EPS of Alcatel Class O share (which is a share of Alcatel and not of the division), calculated before amortization of goodwill and R&D in process under the theoretical assumption that the Alcatel Class O shares had been issued as of July 1, 2000. This Proforma Notional EPS is calculated as earnings of the Alcatel Optronics Division divided by the notional number of Alcatel Class O shares. (94,875,000).

#### About Alcatel Optronics

Alcatel Optronics designs, manufactures and sells high performance optical components, modules and integrated sub-systems for use in terrestrial and submarine optical telecommunications networks. Operating state-of-the-art manufacturing plants in North America and Europe, Alcatel Optronics is a leading supplier of DWDM lasers, photodetectors, optical amplifiers, high-speed interface modules and key passive devices such as arrayed waveguide multiplexers and Fiber Bragg Grating filters. It also has experience in integrating active and passive components and modules into sub-systems. The Optronics Division is part of Alcatel's Optics Group which comprises Alcatel's world-leading activities in optical networking, including submarine and terrestrial transmission systems, fiber optics and optical components. For more information, visit Alcatel Optronics on the Internet: [www.alcatel.com/optronics](http://www.alcatel.com/optronics)

#### About Alcatel

Alcatel builds next generation networks, delivering integrated end-to-end voice and data networking solutions to established and new carriers, as well as enterprises and consumers worldwide. With 130,000 employees and sales of EURO 31 billion in 2000, Alcatel operates in more than 130 countries. For more information, visit Alcatel on the Internet: <http://www.alcatel.com>

*"Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: This press release contains forward-looking statements relating to the Company's expectations for sales and profitability for 2001. Such expectations assume that (i) current market trends in sales will not change and operating profits will continue to improve, (ii) the Company will benefit from growth in the telecommunications market, (iii) the Company's sales volume will increase in several product markets, and (iv) customer spending patterns will not change. Unfavorable changes in the above or other factors listed under "Risk Factors" from time to time in Alcatel's SEC reports, including the Prospectus relating to the offering of Alcatel's Class O shares dated October 20, 2000 could materially affect Alcatel Optronics.*

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**Upcoming Events/Announcements**

April 26, 2001	First Quarter 2001 Earnings Release
May 3, 2001	Annual Shareholders' Meeting
May 7, 2001	Dividend Payment Date
July 27, 2001	Second Quarter 2001 Earnings Release
October 31, 2001	Third Quarter 2001 Earnings Release

## OPTRONICS DIVISION, A DIVISION OF ALCATEL

### COMBINED INCOME STATEMENTS

	<b>2000</b>	<b>1999</b>	<b>1998</b>
	(in millions)		
<b>Net sales</b> .....	<b>€ 432,3</b>	<b>€ 177.1</b>	<b>€ 164.1</b>
Cost of sales.....	(276,8)	(114.6)	(111.6)
<b>Gross profit</b> .....	<b>155,5</b>	<b>62.5</b>	<b>52.5</b>
Administrative & selling expenses.....	(24,3)	(13.0)	(10.7)
Research & Development expenses.....	(36,1)	(24.9)	(18.5)
<b>Income from operations</b> .....	<b>95,1</b>	<b>24.6</b>	<b>23.3</b>
Financial income (loss).....	(0,4)	(0.1)	0.3
Other revenue (expense).....	0,1	(0.9)	(0.1)
<b>Income before taxes</b> .....	<b>94,8</b>	<b>23.6</b>	<b>23.5</b>
Income tax.....	(32,9)	(7.5)	1.2
Amortization of goodwill.....	(21,5)		
Purchased R&D.....	(2,9)		
<b>Net income</b> .....	<b>€ 37,5</b>	<b>€ 16.1</b>	<b>€ 24.7</b>

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The combined income statements have been prepared in French francs and translated into euro using the fixed exchange rate of € 1.00 = FF 6.55957 applicable since January 1, 1999.

**OPTRONICS DIVISION, A DIVISION OF ALCATEL**

**COMBINED BALANCE SHEETS**

**ASSETS**

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(in millions)		
Goodwill, net	132.4	-	-
Other intangible assets, net	22.7	0.7	0.4
<b>Intangible assets, net</b> .....	<b>€ 155.1</b>	<b>€ 0.7</b>	<b>€ 0.4</b>
Property, plant and equipment.....	162.2	72.3	61.0
Less accumulated depreciation.....	(54.6)	(37.6)	(33.2)
<b>Property, plant and equipment, net</b>	<b>107.6</b>	<b>34.7</b>	<b>27.8</b>
Non-current deferred tax assets.....	1.0	0.9	0.6
<b>TOTAL NON-CURRENT ASSETS</b>	<b>263.7</b>	<b>36.3</b>	<b>28.8</b>
<b>Inventories and work-in-progress, net</b>	<b>131.0</b>	<b>42.8</b>	<b>37.5</b>
Trade receivables and related accounts, net	91.7	42.1	28.8
Other accounts receivable	40.6	9.2	8.1
<b>Accounts receivable, net</b>	<b>132.3</b>	<b>51.3</b>	<b>36.9</b>
<b>Cash Pooling – Alcatel current account (maturity not less than three months)</b>	<b>-</b>	<b>6.1</b>	<b>18.3</b>
Cash Pooling – Alcatel current account (maturity less than three months)	46.7	4.2	7.7
Marketable securities net	2.1	-	-
Cash	0.4	0.1	0.1
<b>Cash and cashequivalents</b>	<b>49.2</b>	<b>4.3</b>	<b>7.8</b>
<b>TOTAL CURRENT ASSETS</b>	<b>312.5</b>	<b>104.5</b>	<b>100.5</b>
<b>TOTAL ASSETS</b>	<b>€ 576.2</b>	<b>€ 140.8</b>	<b>€ 129.3</b>

The combined balance sheets have been prepared in French francs and translated into euro using the fixed exchange rate of € 1.00 = FF 6.55957 applicable since January 1, 1999.

## OPTRONICS DIVISION, A DIVISION OF ALCATEL

### COMBINED BALANCE SHEETS

#### LIABILITIES AND NET WORTH OF THE OPTRONICS DIVISION

	2000		1999	1998
	Before Appropriation	After	After Appropriation	After Appropriation
			(in millions)	
Funds allocated by Alcatel	€ 332.9		€ 78.4	€ 81.6
Accumulated net profits (losses)	12.4		(25.1)	(29.7)
Cumulative translation adjustment	1.7		3.4	1.2
<b>TOTAL NET WORTH OF THE OPTRONICS DIVISION</b>	<b>347.0</b>		<b>56.7</b>	<b>53.1</b>
Accrued pension and retirement obligations	2.1		1.6	1.0
Other reserves	19.0		13.1	12.6
<b>TOTAL RESERVES FOR LIABILITIES AND CHARGES</b>	<b>21.1</b>		<b>14.7</b>	<b>13.6</b>
Other borrowings	36.1		4.7	5.7
<b>TOTAL FINANCIAL DEBT</b>	<b>36.1</b>		<b>4.7</b>	<b>5.7</b>
Advances from customers	0.1		0.1	4.2
Trade payables and related accounts	119.3		34.9	28.1
Other payables	52.6		29.7	24.6
<b>TOTAL OTHER LIABILITIES</b>	<b>172.0</b>		<b>64.7</b>	<b>56.9</b>
<b>TOTAL LIABILITIES AND NET WORTH OF THE OPTRONICS DIVISION</b>	<b>€ 576.2</b>		<b>€ 140.8</b>	<b>€ 129.3</b>

The combined balance sheets have been prepared in French francs and translated into euro using the fixed exchange rate of € 1.00 = FF 6.55957 applicable since January 1, 1999.

## OPTRONICS DIVISION, A DIVISION OF ALCATEL

### COMBINED STATEMENTS OF CASH FLOWS

	2000	1999	1998
	(in millions)		
<b>Cash flows from operating activities</b>			
Net income	€ 37.5	€ 16.1	€ 24.7
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation and amortization, net*	42.3	8.2	7.7
Changes in reserves for pension obligations, net	0.4	0.8	0.2
Changes in other reserves, net	6.0	0.3	3.6
Net (gain) loss on disposal of non-current assets	-	-	0.1
Other	-	-	-
	<b>86.2</b>	<b>25.4</b>	<b>36.3</b>
<b>Working capital provided by operations</b>			
Net change in current assets and liabilities:			
Increase in accounts receivable	(78.1)	(12.3)	(7.5)
Increase in inventories	(88.5)	(5.3)	(22.7)
Increase in accounts payable and accrued expenses	114.2	5.4	19.1
Changes in reserves on current assets, net	1.8	0.8	4.2
	<b>35.6</b>	<b>14.0</b>	<b>29.4</b>
<b>Net cash provided by operating activities</b>			
<b>Cash flows from investing activities</b>			
Capital expenditures	(72.3)	(14.7)	(15.8)
Cash expenditure for the acquisition of Innovative Fibers, net of cash acquired	(184.5)		
Decrease (increase) in Alcatel current account (maturity more than three months)	6.1	12.2	(4.4)
	<b>(250.7)</b>	<b>(2.5)</b>	<b>(20.2)</b>
<b>Net cash provided (used) by investing activities</b>			
<b>Net cash flows after investing activities</b>	<b>(215.1)</b>	<b>11.5</b>	<b>9.2</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term debt	17.4	-	(0.3)
Increase (decrease) in long-term debt	0.8		
Principal payment under capital lease obligation	(1.3)	(1.0)	1.7
Proceeds from issuance of Alcatel Optronics shares	245.0	-	-
Funds allocated by Alcatel	9.6	(3.0)	0.6
Dividends paid by Alcatel Optronics	(11.5)	(11.0)	(6.4)
	<b>260.0</b>	<b>(15.0)</b>	<b>(4.4)</b>
<b>Net cash provided (used) by financing activities</b>			
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>44.9</b>	<b>(3.5)</b>	<b>4.8</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>4.3</b>	<b>7.8</b>	<b>3.0</b>
<b>Cash and cash equivalents at end of year</b>	<b>€ 49.2</b>	<b>€ 4.3</b>	<b>€ 7.8</b>

The combined statements of cash flows have been prepared in French francs and translated into euro using the fixed exchange rate of € 1.00 = FF 6.55957 applicable since January 1, 1999.

Income taxes paid amounted to € 16.2 million in 2000 and € 6.5 million in 1999. No income taxes were paid in 1998. Interest paid amounted to € 1.3 million in 2000 and € 0.5 million in 1999 and 1998.

\* Of which purchased R&D relative to the acquisition of Innovative Fibers in 2000 : € 21,5 million.