

Flawless Execution in the Supply Chain

John Brots
EVP Supply Chain



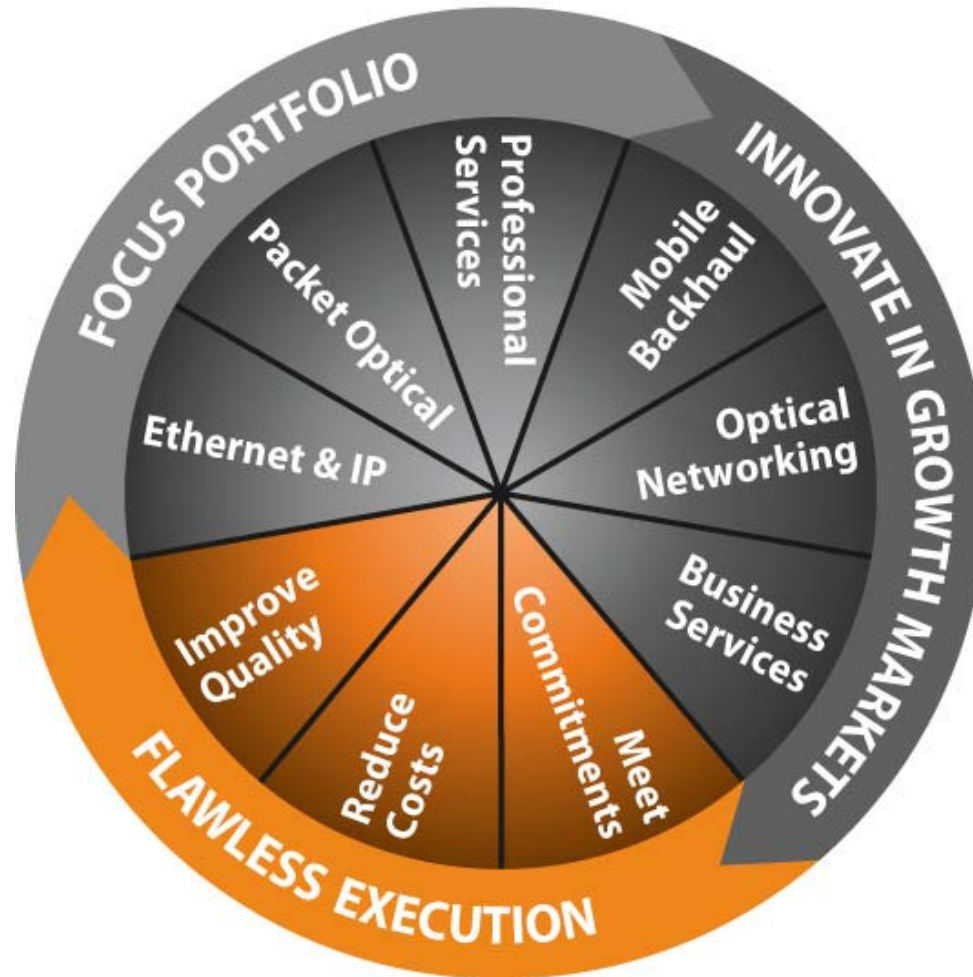
Safe Harbor and Non-GAAP Reconciliation



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Tellabs Strategy: *Flawless Execution*

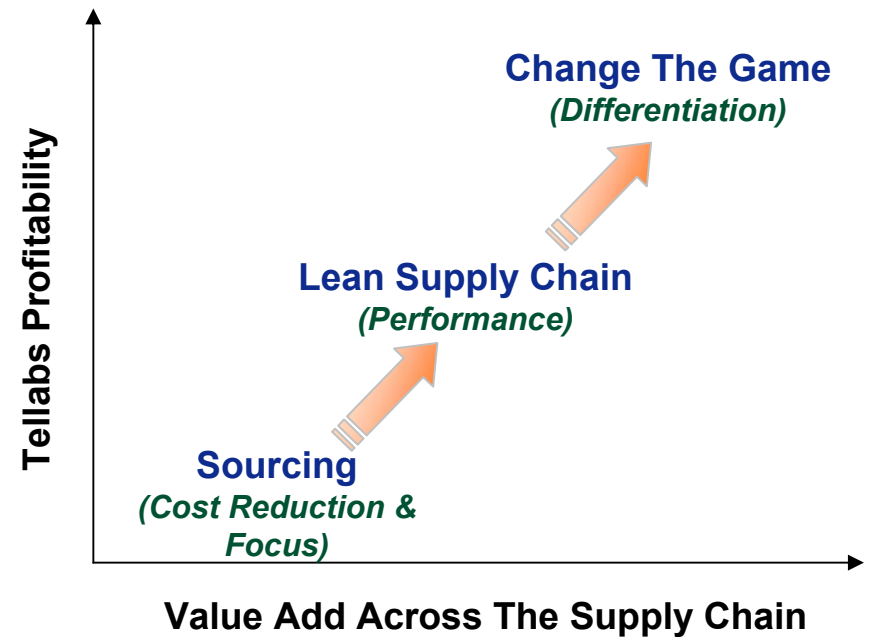


Supply Chain

- Why it matters ...
- Design
- Cost savings
- Customer satisfaction
- Evolution



Value Model



Why Supply Chain Makes a Difference

Customers

- “Putting the customer first” drives Supply Chain strategy and execution
- Supply Chain execution directly impacts customer experience

Tellabs

- Actively manages \$.8B of company spend
- Rigorous attention to cost improves overall profitability

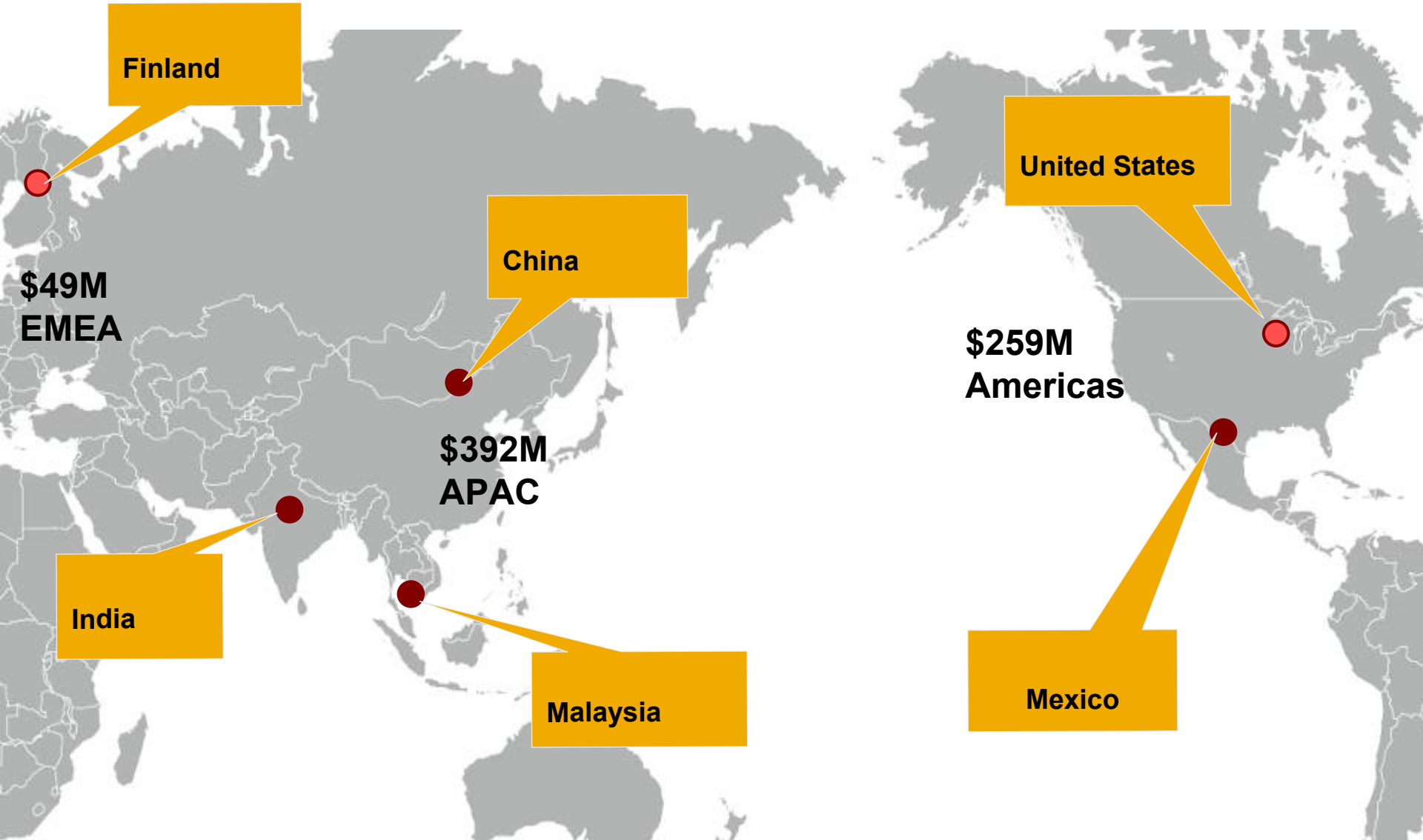
Shareholders

- Supply Chain results translate into:
 - Lower inventory and improved cash flow
 - Improved cost structure, freeing up resources for growth

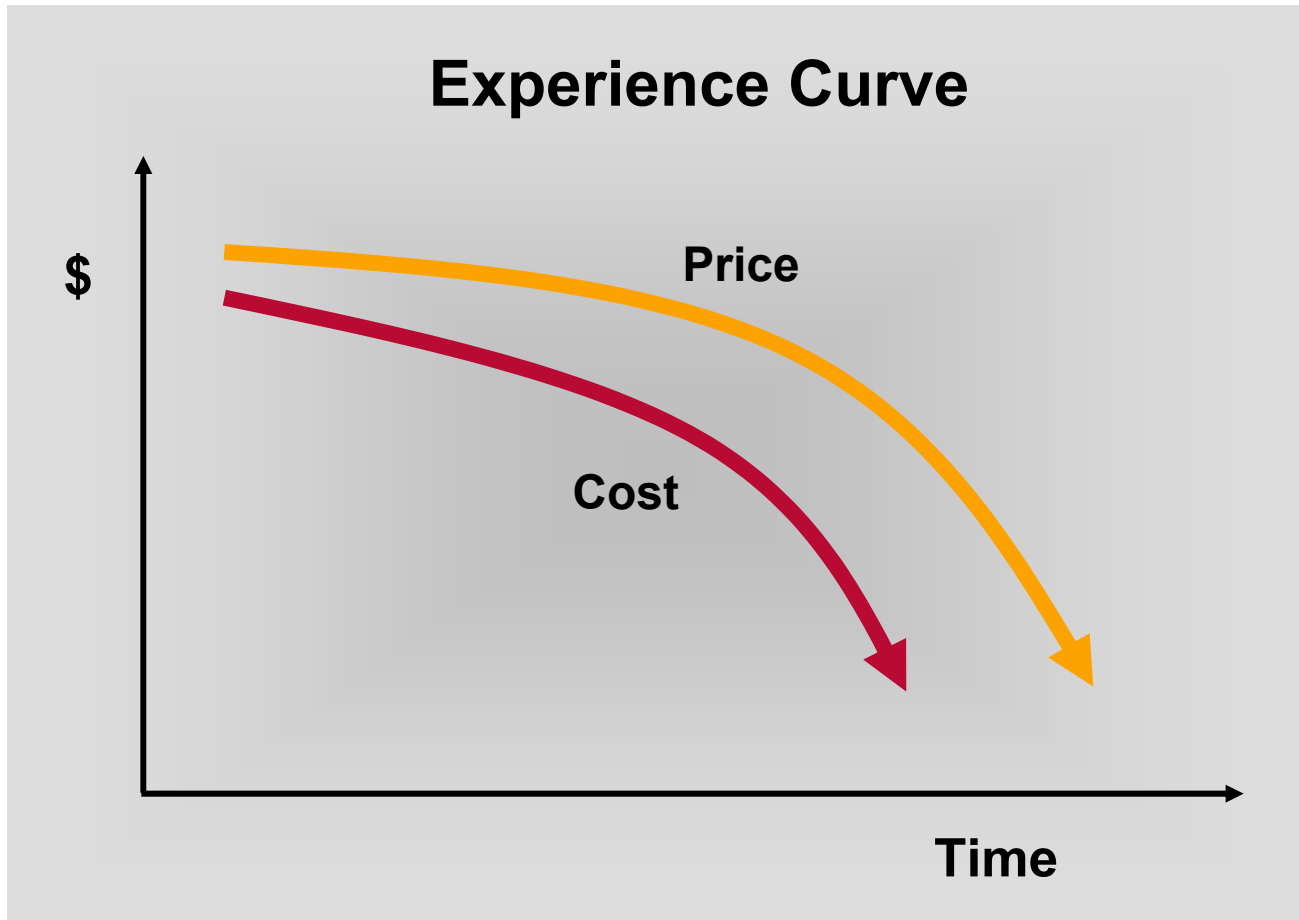
Flexible and Efficient Connection Between Our Products and Our Customers



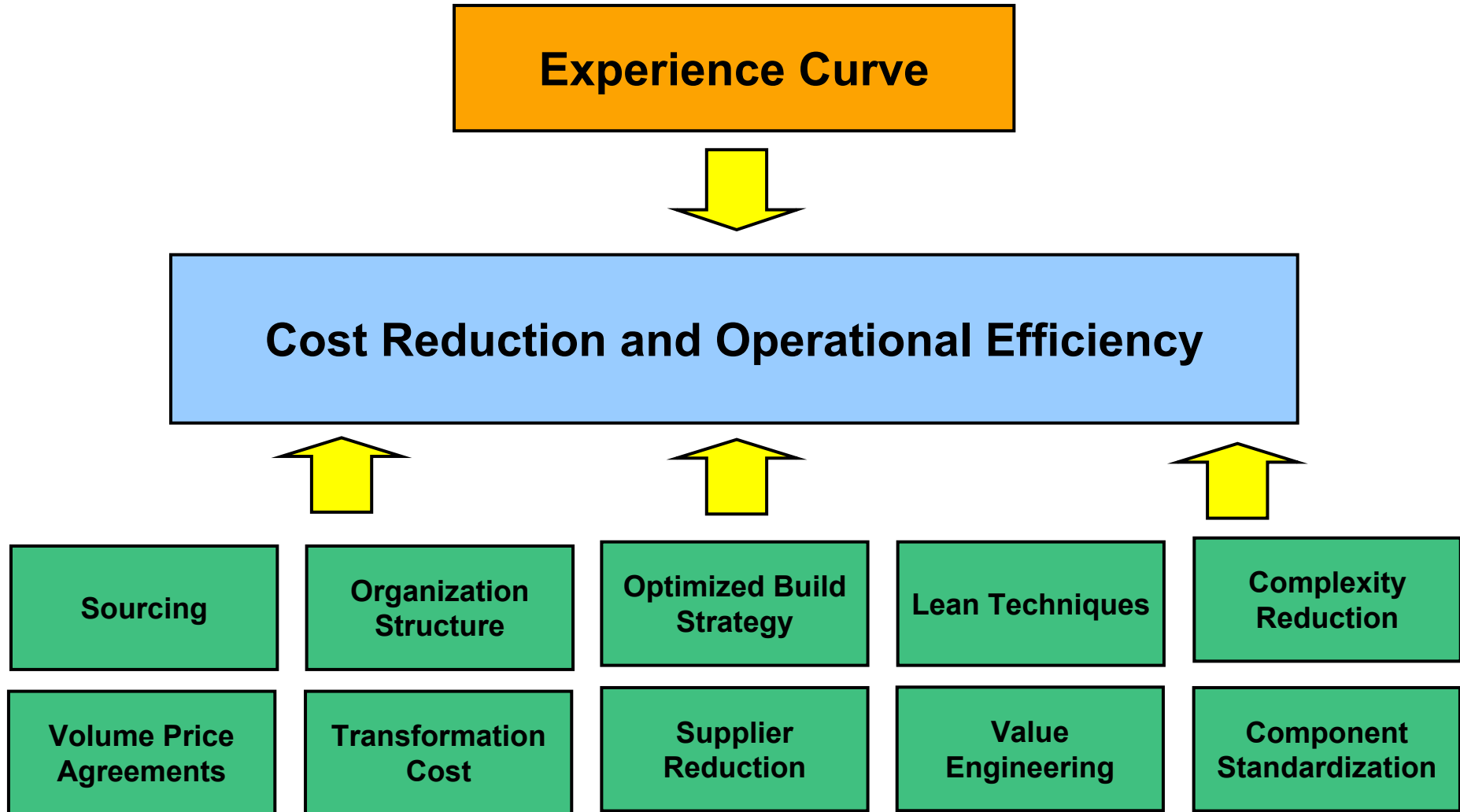
Execute Across Virtual Supply Network



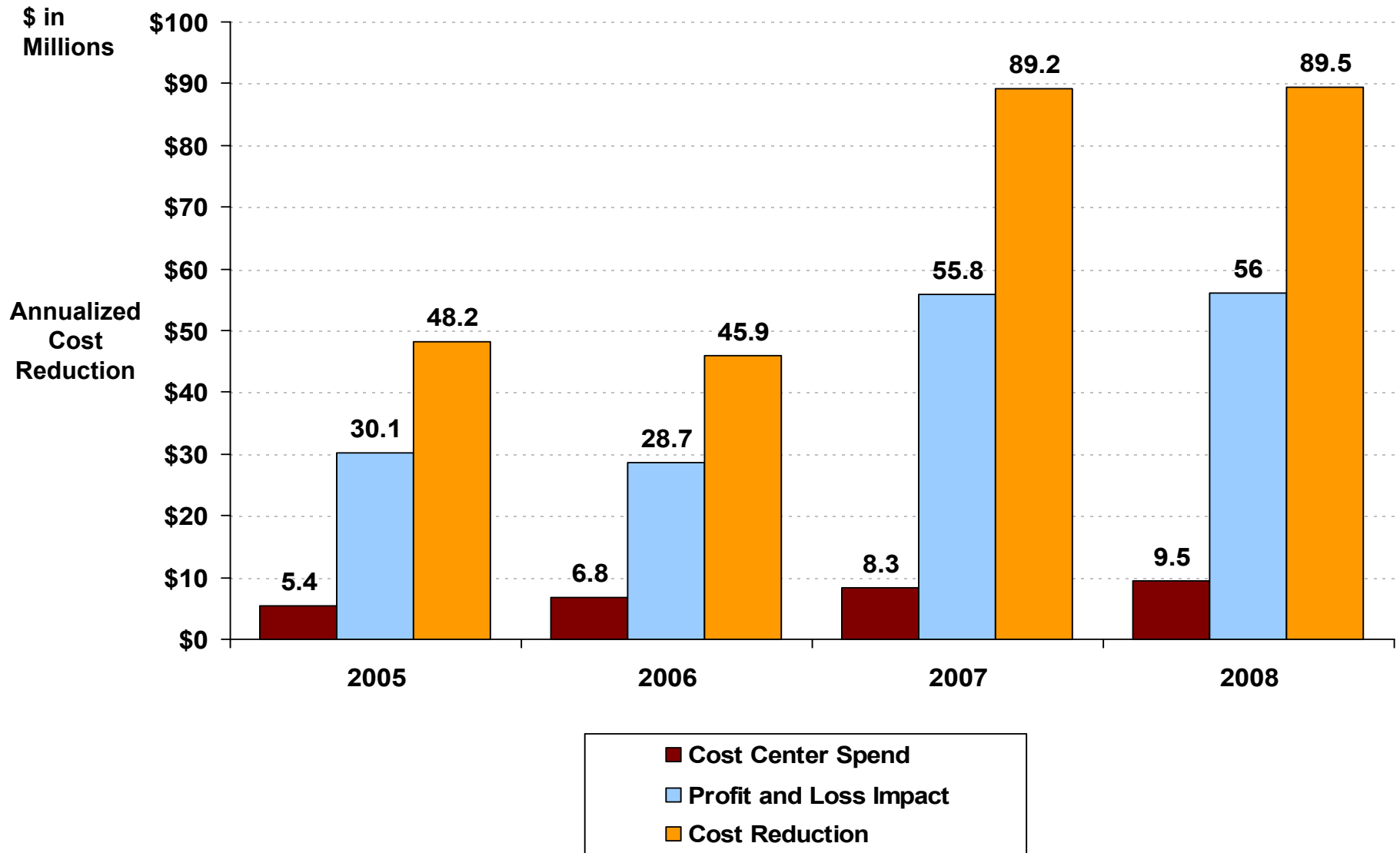
Experience Curve



Experience Curves Identify Cost Reduction Opportunities



Cost Of Parts Savings



Cumulative Savings 2004 – 2008

(\$ in Millions)

| Initiative | Cumulative | Annual Average |
|-----------------------|--------------|----------------|
| Sourcing | \$190 | \$48 |
| Cost of Parts Savings | \$273 | \$68 |
| Payroll Savings | \$31 | \$8 |
| Total | \$494 | \$124 |

- Headcount from 677 to 376
- Utilization of competitive geographies

Quality and Customer Satisfaction

Provide each organization with the means to:

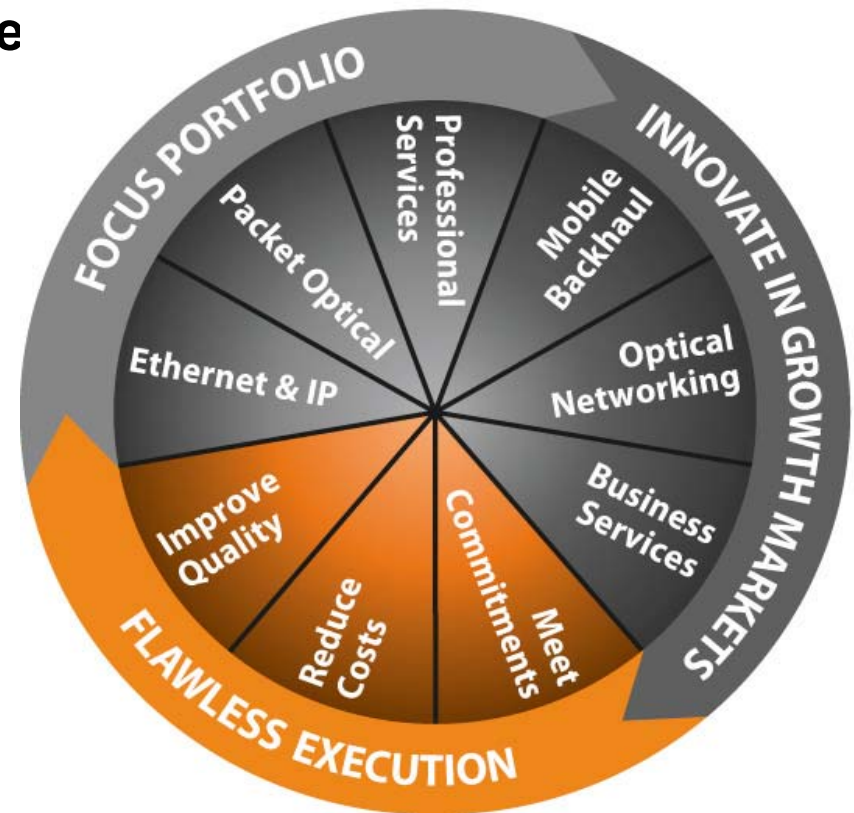
Implement a system of capable processes,
Measure the processes and
Improve the system

While holding each organization accountable through
regular management reviews

Focus on the voice of the customer

What's Different

- Reducing costs and complexity
- Lowering costs by 20%-25% via E-curve
- Improving customer experience



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