



>THIS IS **THE WAY**

## Corporate Overview

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>THIS IS **NORTEL**

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# Nortel



- > Return to Normal
- > A Solid Foundation
- > Strategy and Focus on Execution
- > Demonstrating Momentum
- > Continued R&D Excellence

# Return to Normal



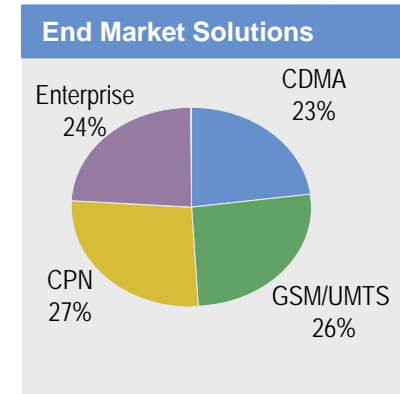
- > new CEO
- > new tone at the top
- > timely reporting
- > finance transformation
- > management stability / renewal
- > addressing investigations & litigation

**Focused on Execution & Performance**

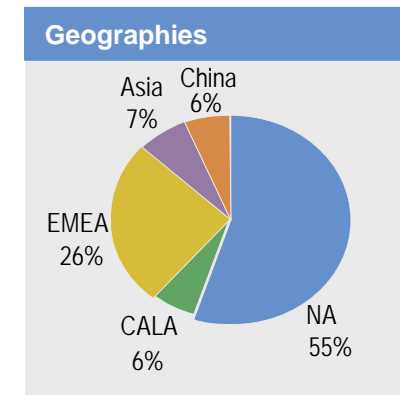
# Solid Foundation



- > Leading global supplier of networks and services
- > End-to-end solutions for Wireline, Wireless and Enterprise customers
- > Well diversified (Geographically & Solutions)
- > Leading market positions in VoIP, CDMA, Packet data, Metro optical, and Enterprise telephony



based on 2004 Revenue of \$9.8B

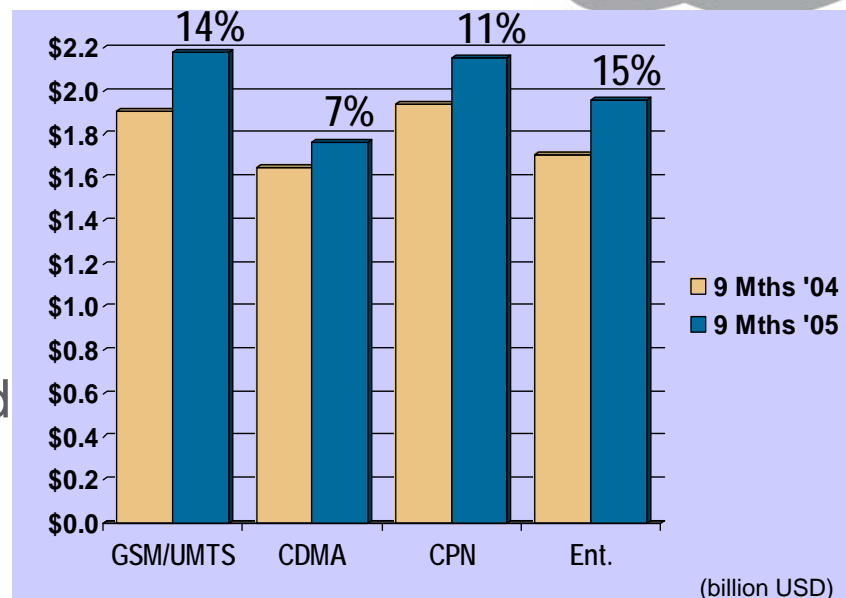


**Execution Focus on Core Business**

# Solid Foundation - Core Businesses



- > GSM/UMTS
  - largest business, profitable & growing
- > CDMA
  - continues to be a growing & profitable business
  - Maintaining stable #2 position
- > Enterprise
  - focus on Converged Voice & Data, and Innovation in Applications
- > CPN
  - solid #1 position VoIP market – SIP leadership
  - complete portfolio across public, private, fixed & mobile networks
  - optical growth with industry drive to broadband



**Solid Core Business**

# Solid Foundation- Financial Highlights



## > Q3 Results Highlights

	FY 2004	3QYTD 2005	FY 2005e*
Revenue	\$9.8B	\$8.1B	13% range
GM	41.5%	41.0%	40-44%
SG&A	\$2.1B	\$1.7B	
R&D	\$2.0B	\$1.4B	
Op Ex	42%	39%	~35% at EOY '05
Net Earnings	(\$51M)	(\$ 109M) **	
Cash***	\$3.7B	\$3.0B	

\*FY2005 Guidance as at 11/02/05

\*\*3QYTD 2005 net earnings incl. \$148 related to restructuring

\*\*\*cash balance ending the quarter

## > 3Q revenue growth reflected next-generation portfolio strength

**Solid Q3 Results**

# Cost - Reducing Operating Expenses



- > targeting Op Ex at ~35% by the end of 2005
- > meeting the accelerating challenge to be cost competitive:
  - Restructuring program removed ~3,250 headcount
  - Building our expertise in highly skilled, low cost markets
  - Reducing R&D facilities globally by approx 50%
  - Redeploying work – low cost centers

**Opportunity for Improvements**

# Strategy & Execution



- > Priority is business execution & operational performance
- > Positioned in key growth areas:
  - Markets – Government/Federal, Security, Services
  - Regions – India, South Korea, China, etc
  - Technologies – HSDPA, IMS, VoIP
- > Expanding business with Partnerships and Alliances
- > Streamlining and consolidating our R&D investments

**Focused on Cash, Cost & Revenue – Drive Profitability**

# Demonstrating Momentum



## > Financial improvements

- Q3 2005 revenue +22% yoy
- Q3 solid cash \$3.0B

## > Strategic Growth Areas

- Government / Federal
- Services
- Security
- Growth Markets (India, Korea, China, CALA)

**Accelerating Business and Financial Momentum**

# Continued R&D Leadership



- > Over a Century of Innovation
- > Global Investment of ~\$2 billion annually
- > Demonstrating Technology Leadership today
- > Focused on Leadership in the future

**Innovation Fuels Our Future**



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- > Strategy and Focus on Execution
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- > Continued R&D Excellence

>THIS IS **NO**TEL

Focus on Cash, Costs and Revenues