



ANALYST DAY 2008

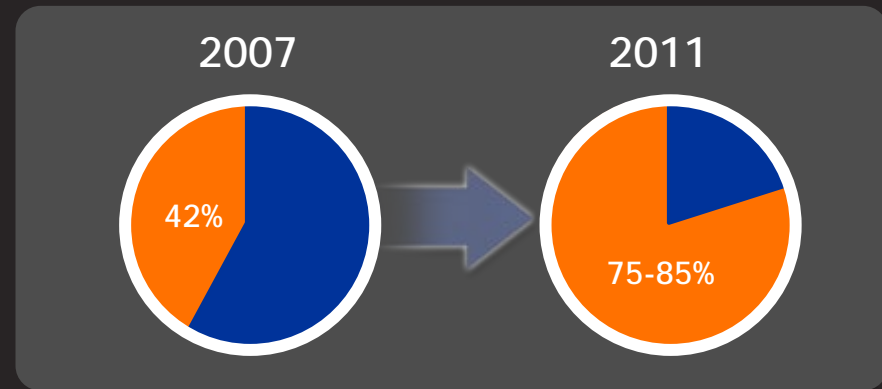
BUSINESS MADE SIMPLE





METRO ETHERNET NETWORKS

Philippe Morin
President, Metro Ethernet Networks



THE BIG QUESTIONS

What is the size of the 40G market?

How big will Nortel's share be in the key bets you are targeting?

What is the impact on the PBT market following BT's decision?

What are the key milestones to watch as MEN succeeds in the market?

How is the MEN business going to achieve double digit operating margin?

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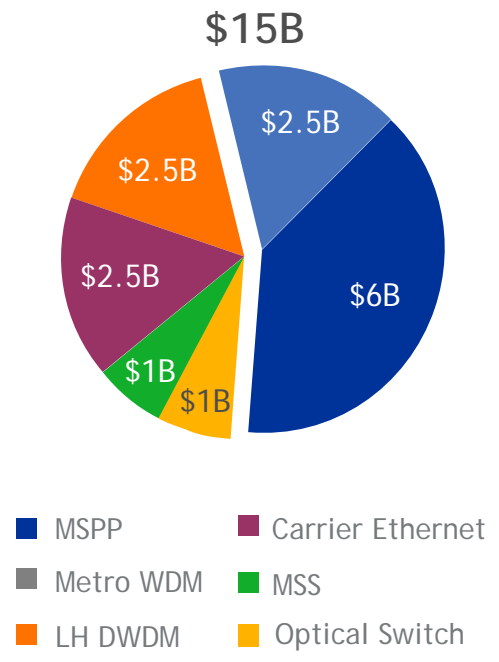
BUSINESS / FINANCIAL HIGHLIGHTS

Grow MEN into a Foundational Business by Leveraging Optical and new Packet Innovation targeted at the growing Ethernet Transport Market

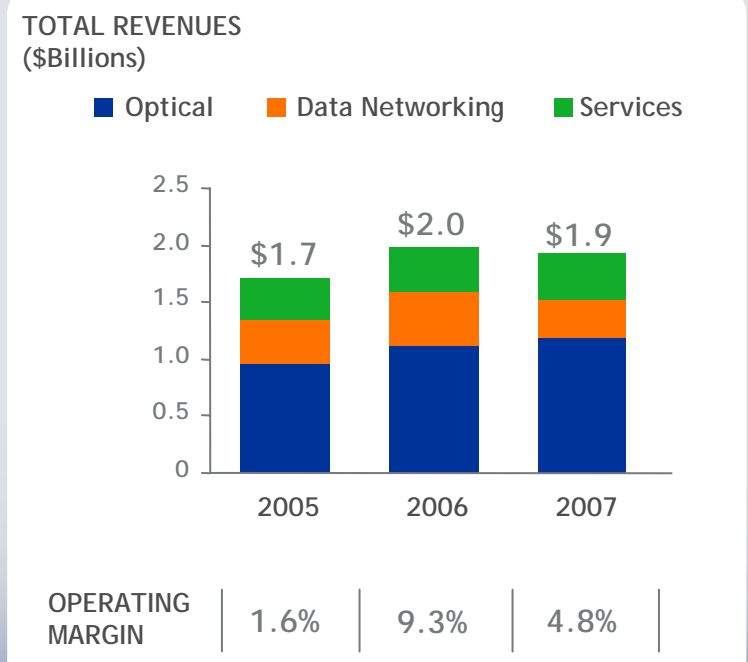
AREAS OF FOCUS

- Business Services
- Mobile Backhaul
- Residential Services
- High Capacity Long-Haul Transport

2008 TOTAL ADDRESSABLE MARKET



FINANCIAL HIGHLIGHTS

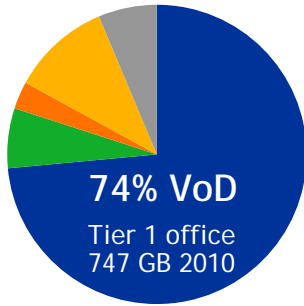


MARKET & TECHNOLOGY TRENDS

TREND

- Video on Demand driving bandwidth for Residential Services
- 25-40% annual mobile backhaul traffic growth driven by 3G & 4G
- High growth in Ethernet connectivity for business: EVPN service revenues \$17B 2007 to \$25B 2010
- Network expansion/upgrades in progress

RESIDENTIAL



Bandwidth

- VoD/Unicast
- Wireless
- VoIP & MM
- HSD
- Broadcast Video

Source: Nortel analysis
IPTV ILEC/PTT 2010

REQUIREMENTS

- High capacity, packet-centric efficient transport
- WDM platforms highly effective in both TDM/Ethernet backhaul
- Transport-class performance, reliability, and monitoring for Ethernet
- Simple evolution of 10G paths to 40G/100G for more efficient networking

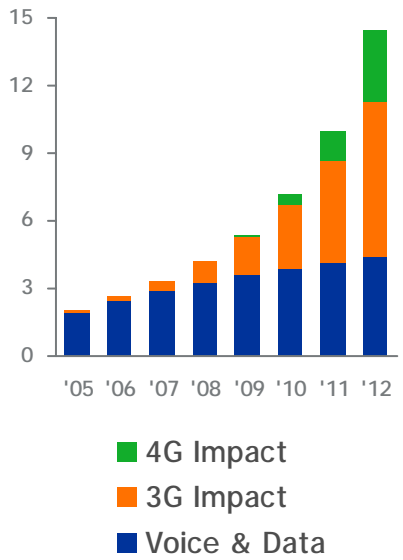
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MOBILE BACKHAUL

Aggregate Global Mobile Traffic Mbps in Millions



Source: Ovum: Forecast, Wireless Backhaul Opportunities, Global, November 2007

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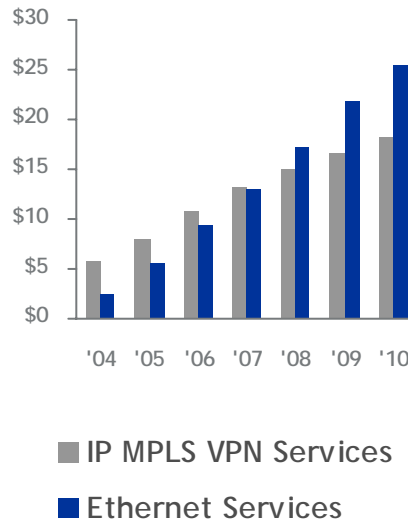
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BUSINESS SERVICES

Worldwide Ethernet and IP MPLS VPN Services Revenue (\$000's)



Source: Source: Infonetics Research, Ethernet and IP MPLS VPN Services - Annual Worldwide Market Size and Forecasts, April 20, 2007

REQUIREMENTS

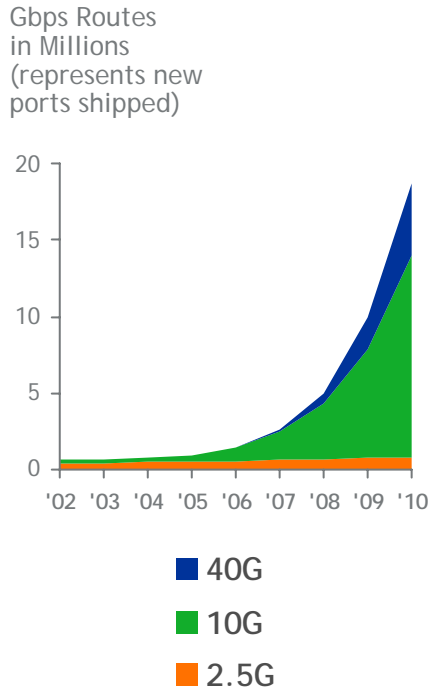
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LINK CAPACITIES



Source: Infonetics, 3Q07 Optical Network Hardware Market Share and Forecasts, Nov. 21, 2007: Nortel Analysis

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TECHNOLOGY / PRODUCT / BIG BETS

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TREND

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- VoD driving bandwidth for Residential
- Mobile backhaul driven by 3G & 4G
- High growth in EVPN
- Network expansion / upgrades

.....

BIG BET

.....

- Carrier Ethernet with operations and performance consistent to circuit-based solutions
- WDM platforms with integrated TDM/Ethernet for simpler operations
- 40G/100G solutions over existing 10G network designs and fiber

GROWTH OPPORTUNITIES FOR BIG BET(S)

CARRIER ETHERNET

METRO / LH DWDM

40G/100G (Subsegment of Metro/LH DWDM)

MARKET SIZE¹

2008	2011	CAGR
\$2.5B	\$4.4B	20%

Position:

- #6 with 3% market in '07²
- 10%+ share in 2011

Growth from:

- Evaluation -> Deployment stage

2008 focus:

Revenue Ramp → Tier 1's

MARKET SIZE¹

2008	2011	CAGR
\$5B	\$6B	6%

Position:

- 2007 Metro: #2, 16% share³
- 2007 LH: #7, 8% share³
- 2011: 20%+ share in each segment

Growth from:

- OME new MWDM platform, enterprise business

2008 focus:

Profitability

MARKET SIZE¹

2008	2011	CAGR
\$0.3B	\$2.0B	80%

Position:

- N/A in 2007
- 30%+ share in 2011

Growth from:

- Expanded application space

2008 focus:

Take back market share

¹ External and Nortel Internal Analysis ² Heavy Reading, April '08 ³ Dell'Oro Group, May 2008

COMPETITIVE ADVANTAGES / KEY DIFFERENTIATORS (BIG BETS)

CARRIER ETHERNET

METRO/LONG HAUL DWDM

40G/100G

Competition



Nortel Advantage

- Operational savings
- Technology Innovation

Proof Points

- Growing adoption of Ethernet in the metro
- 25 ecosystem partners
- Tier 1 trials in every region

Competition



Nortel Advantage

- Ethernet Service Capabilities
- Single platform: metro/LH/ULH applications

Proof Points

- 17/20 top service providers
- >80% growth in OME in '07

Competition

- Limited current offers, primarily OEM from Stratalight, Mintera

Nortel Advantage

- Technology Innovation
- Time to Market
- Simplest evolution to 100G

Proof Points

- 14 wins to date: Verizon, TDC, Neos, Virgin Media
- Industry moving to same technology for 100G

STAYING THE COURSE WITH CARRIER ETHERNET



- Nortel Innovations Producing Winning / Differentiating Offer
 - Simplicity: faster provisioning/activation, ease of operations
 - Determinism: SLA assurance
 - Security
 - Interworking with MPLS

- Carrier Ethernet and Optical markets merging into one
 - Carrier Ethernet Innovation Key to Sustaining our Optical Leadership

- Attacking the market with Solution Bundles
 - EVPN
 - Mobile Backhaul



COMCAST AND NORTEL DELIVER WORLD'S 1ST LIVE 100G FIELD TRIAL

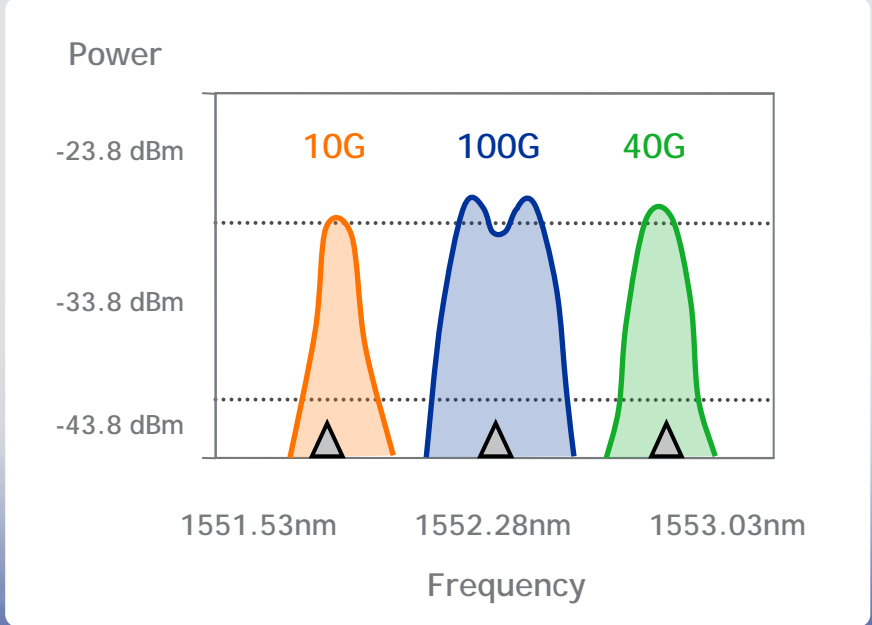
- Providing Internet access to 100+ engineers for 7 days
- 100G over live 10G/40G multi-vendor network
- Using existing OME 6500 equipment



ADJACENT 10G/40G/100G OVER ONE FIBER

“As we continue to expand our cross-platform video, voice and data services, we need these types of innovative technologies from vendors like Nortel to support the rapid growth of new applications and services that run over our network.”

John Schanz,
EVP National Engineering and Technical Operations for Comcast



METRO ETHERNET NETWORKS OBJECTIVES



	2007 Revenue	2007 OM%	2007-2011 Rev CAGR Objective	2011 OM% Target
Metro Ethernet	\$1.5B	(1%)	~10% CAGR	14-18%

Key Profitability Drivers

- Transfer of manufacturing to low cost centers
- Product mix change as of 2008
- Aggressive Cost Reduction on OM 5000 and OME 6500
- One platform for metro/LH/ULH applications

SUMMARY

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- Size of the 40G Market \$2B 40G/100G Market
- Impact of 40G market on BE?
- By 2011 Share: in 10% BDM: 20%+, 40G: 30%+
- Continued OEM to watch and 40G strength in 2H08
- Next year MFG on price/profitability? MFG centers

