

ENTERPRISE NETWORKS

2007

79%

➔

2011

80-90%

Joel Hackney
President

DISCLAIMER

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NON-GAAP MEASURES

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This presentation includes the following non-GAAP measures:

Adjusted revenue, adjusted for the UMTS Access business that was sold on December 31, 2006 are non-GAAP measures. Nortel's management believes that this supplemental information is meaningful, given the sale of the UMTS Access business, by providing greater transparency to investors with respect to Nortel's performance and by facilitating comparisons to Nortel's historical performance.

Cash flow from operations, excluding the \$585 million outflow related to the litigation settlement, is a non-GAAP measure. Nortel's management believes that this supplemental information is meaningful, given the impact on cash flow from operations of the global class action litigation settlement, by providing greater transparency to investors with respect to Nortel's performance and by facilitating comparisons to Nortel's historical performance. This non-GAAP measure should be considered in addition to, but not as a substitute for, the information contained in our financial statements prepared in accordance with GAAP.

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THE BIG QUESTIONS

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THE IRIDIUM • NOVEMBER 15, 2007

How will Nortel grow Enterprise?

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What is the roadmap to profitability?

What is your partnership strategy? Is it paying off?

How does Nortel differentiate its Enterprise offering?

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ENTERPRISE FINANCIAL OBJECTIVES

	2007 Revenue	2007 OM%	2007-2011 Rev CAGR Target	2011 OM% Target
Enterprise Networks	\$2.6B	0%	11%	11-15%
EN with Services	\$3.0B	2%	12%	12-16%

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INVESTMENTS TO GROW ENTERPRISE

	'05-'07 % Change
<ul style="list-style-type: none"> Go-To-Market <ul style="list-style-type: none"> - New channels - e.g. Dell - Installed base activation <ul style="list-style-type: none"> • UC 1-2-3 drive 15% of NA deals • Flat rate to reach small systems - Expanding Teleweb capability 	+28%
<ul style="list-style-type: none"> Marketing <ul style="list-style-type: none"> - Investments reach CxO, CIO, IT - Quantitative claims & customer references - Reconstituted user groups 	+15%
<ul style="list-style-type: none"> R&D <ul style="list-style-type: none"> - Joint efforts with MSFT, IBM, Dell - 20/60/20 approach inside Nortel - Shifting up to 43% of resources to accelerate transition to UC Solutions - POR: 4x improvement in predictability, 70% gain in on-time POR delivery 	+44%

PERFORMANCE TO DATE

	2006	2007	1Q08
Revenue Products (\$M)	2,292	2,619	641
YoY Growth	11%	14%	7%
OM %	(2.0%)	(0.3%)	(3.6%)
Revenue with Services (\$M)	2,626	3,037	743
YoY Growth	9%	16%	11%
OM %	0.3%	1.9%	(1.7%)

STRATEGY

Become the preferred partner in unifying all communications through leading product solutions, software and services

MARKET SIZE

CAGR 11% \$62B

\$41B 2007 2011 \$62B

38% 95%

- Voice (TDM)
- Data (L2-3/Routers)
- Telephony (IPT)
- Data (Advanced)
- Voice Apps
- UC (Apps)
- UC (CEBP)

TAKE-AWAYS

- Addressable market: 11% CAGR
- Leverage market position to grow
 - Voice Apps #1
 - Voice #1
 - Data #2
- Growth segments represent 80% of '07 revenue; grows to 90% in '11

VALUE DRIVERS

- Accelerated Shift to IP and Unified Communications
- Shift to Software and Services
- Differentiated Technology Platforms
- Extend Reach, Enter New Markets and Partnerships

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MARKET SEGMENTATION		
	OPERATIONAL STAGE	CUSTOMER OBJECTIVES
Maintain	<u>Maintain</u> Current Platforms	<ul style="list-style-type: none"> Limited to no new investment Operational stability a primary driver
Converge	<u>Converge</u> To One Platform	<ul style="list-style-type: none"> Shift TDM to IP Simplified <u>IT</u> management Lower <u>IT costs</u>
Collab	Drive User <u>Collaboration</u>	<ul style="list-style-type: none"> Leverage IP investment Simplified <u>user</u> interface
Enable	Communications <u>Enable</u> Business Process	<ul style="list-style-type: none"> Leverage applications investment Extend and enable communications intelligence Lower <u>business costs</u> and increase <u>speed</u>

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MARKET SEGMENTATION			
	NORTEL ADVANTAGES	MARKET OPPORTUNITY*	SOLUTION MIX [^]
		2007 CAGR 2011	
Maintain	<ul style="list-style-type: none"> Richest TDM heritage Fully optimizing 20 years of investment 	\$22B 3% \$24B	
Converge	<ul style="list-style-type: none"> Large voice and data installed base Leverages customers prior investments Energy efficiency as a tipping point 	\$15B 11% \$22B	
Collab	<ul style="list-style-type: none"> Deep partnerships with Microsoft and IBM X-company R&D focus 100's of deployments 	\$4B 38% \$14B	
Enable	<ul style="list-style-type: none"> Open architecture Expanded Professional Services capability Lead deployments among FORTUNE 500 	\$140M 94% \$2B	

* Market opportunity does not include Services ^ Illustrative only.

● Hardware ● Software ● Services

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NORTEL ADVANTAGES FOR PLATFORM CONVERGENCE

VOICE

- Largest Installed Base
- Real Time Communications
- Deep Wireless Knowledge
- Global Service and Support Capabilities

DATA

Equipment Type	Nortel (kWh)	Cisco (kWh)
Core 6 Slot	~20	~40
Core 10 Slot	~30	~80
Non-PoE Stackable	~40	~100
PoE Stackable	~70	~300
WAN Routers	~10	~20
IP Phones	~110	~320

SOURCE: As calculated by the Nortel Energy Efficiency Calculator and based on public data supplied by Cisco and Nortel. Example shown reflects kilowatt-hours consumed by a 5,000-user network in Massachusetts.

* Tolly & InfoTech Reports

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NORTEL ADVANTAGES FOR PLATFORM CONVERGENCE

VOICE

- Largest Installed Base
- Real Time Communications
- Deep Wireless Knowledge
- Global Service and Support Capabilities

DATA

20X Better Performance*

7X More Resilient*

50% Lower Cost*

50% Less Energy*

Common CLI's

Simplified Certification Leveraging Market Leader Investment

SOURCE: As calculated by the Nortel Energy Efficiency Calculator and based on public data supplied by Cisco and Nortel. Example shown reflects kilowatt-hours consumed by a 5,000-user network in Massachusetts.

* Tolly & InfoTech Reports

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NORTEL ADVANTAGES FOR IMPROVED USER COLLABORATION

NORTEL COMPARISON	PARTNERSHIPS
<p>Nortel</p> <ul style="list-style-type: none"> • Deep partnerships with industry leaders • X-company R&D focus • 100's of deployments <p>Cisco</p> <ul style="list-style-type: none"> • Proprietary approach • ↑ CAPEX, OPEX • Problematic interoperability with UC applications • Little to no SONA traction <p>Avaya</p> <ul style="list-style-type: none"> • Incomplete portfolio offering • Not embracing voice as an application (PBX-less) • Lack Carrier experience & networking 	<p>Microsoft</p> <ul style="list-style-type: none"> • Native UC interoperability; one of three companies with R&D staff inside Microsoft • 800+ wins, more than one million licenses • Jointly accelerating UC adoption <p>IBM</p> <ul style="list-style-type: none"> • Native UC integration across Lotus Notes/Sametime desktop environments • Lead Retail & Healthcare offer integrates communications into business process • Key development partner and channel <p>DELL™</p> <ul style="list-style-type: none"> • Expanded route to market capability; UC reseller of products and services • Key development partner on SCS 500

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NORTEL ADVANTAGES FOR ADVANCED COMMUNICATIONS ENABLEMENT

OPEN ARCHITECTURE

Professional Services	Enablement	Deployment	Application Development	Consultancy
Applications / SOA Middleware	 IBM Microsoft Other Partners			
Abstraction Layer	Nortel Agile Communication Environment IBM WebSphere Application Server Other Frameworks			
Infrastructure	 Nortel Call Server / Softswitch 3 rd Party Data Products Nortel Data Products 3 rd Party Servers Nortel IMS Server Media Servers 3 rd Party Call Server / Softswitch			

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NORTEL ADVANTAGES FOR ADVANCED COMMUNICATIONS ENABLEMENT

DRAMATIC COST ADVANTAGE

Cost: \$63M

Pre UC

# of Systems	Connections	
	Pre UC	w/UC
2	1	1
3	3	2
4	6	3
5	9	4
6	14	5

Cost: \$7M

With UC

BUSINESS APPLICATIONS MARKET

\$177B

2007

\$244B

2011

■ Market Size ■ % WS/SOA Enabled

Every point of enablement worth \$2.4B in 2011

IDC and Gartner Reports

UC Economics Unlocking New Market Opportunities

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CUSTOMER EXAMPLE - JYSKE BANK

BUSINESS CHALLENGE

To enhance the customer experience and create efficiencies across Denmark's 2nd largest high-street bank; 4,000 employees across 120 branches.




SOLUTION

Complete Microsoft and Nortel UC solution; natively integrates Nortel's voice and applications portfolio with Microsoft's OCS.

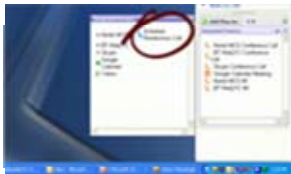


CUSTOMER BENEFITS

- Customer growth rate has doubled in new branches, UC a key component.
- 1st time call answering increased from 70% to 90%.

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Tracking Solutions	E-Commerce Solution	Delivery Alert Solution

BUILDING A PIPELINE OF VALUE ADDED APPS

		
Rendezvous Solution	Collaboration Solution	Lone Worker Solution

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**Orlando Healthcare
Testimonial Video**

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SUMMARY

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How will Nortel grow Enterprise?

- Stable, growing core business and installed base
- Accelerating shift to VoIP and Network Convergence
- Leading the UC explosion

What is roadmap to profitability?

- Shift to Software and Services expands margins
- On track for 2H profitability

What is your partnership strategy and is it paying off?

- Native integration with leading applications providers
- Provide value add software and services

How does Nortel differentiate its offer?

- Lower TCO for network / platform infrastructure
- Open architecture approach to applications / software
- Deep, global partnerships

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THANK YOU

BUSINESS MADE SIMPLE

