

GLOBAL SERVICES

2007

42%

➔

2011

60-70%

Dietmar Wendt
President, Global Services

DISCLAIMER

.....

Certain statements in this presentation may contain words such as "could", "expects", "may", "anticipates", "believes", "intends", "estimates", "targets", "envisions", "seeks" and other similar language and are considered forward-looking statements or information under applicable securities legislation. These statements are based on Nortel's current expectations, estimates, forecasts and projections about the operating environment, economies and markets in which Nortel operates. These statements are subject to important assumptions, risks and uncertainties, which are difficult to predict and the actual outcome may be materially different. Nortel has made various assumptions in the preparation of its financial outlook in this presentation, including the following company specific assumptions: no further negative impact to Nortel's results of operations, financial condition and liquidity arising from Nortel's restatements of its financial results; increase in sales to Nortel's enterprise customers and wireless service provider customers in the Asia Pacific region as a result of Nortel's joint venture with LG Electronics Inc.; improvement in Nortel's product costs due to favorable supplier pricing, offset by higher costs associated with customer deployments in emerging markets; cost reductions resulting from the 2008 and 2007 restructuring plans; increased employee costs relative to expected cost of living adjustments and employee bonuses; and the effective execution of Nortel's strategy, including the execution of Nortel's supply chain strategy and the implementation of its Business Transformation initiatives in 2008. Nortel has also made certain macroeconomic and general industry assumptions in the preparation of its financial guidance including: global service provider capital expenditures in 2008 reflecting low to mid single digit growth as compared to mid to high single digit growth in 2007; global growth rate to remain stable with investments in next generation products and services to exceed declines in purchases of legacy equipment; and a moderate impact as a result of expected industry consolidation among service providers in various geographic regions, particularly in North America and EMEA. The above assumptions, although considered reasonable by Nortel at the date of this presentation, may prove to be inaccurate and consequently Nortel's actual results could differ materially from its expectations set out in this presentation. For purposes of clarity, the financial objectives through 2011 in this presentation are Nortel's longer term performance goals or targets and do not constitute Nortel's expectations for future financial results, otherwise known as financial outlook or guidance.

Further, actual results or events could differ materially from those contemplated in forward-looking statements as a result of the following (i) risks and uncertainties relating to Nortel's business including: significant competition, competitive pricing practice, cautious capital spending by customers as a result of factors including current economic uncertainties, industry consolidation, rapidly changing technologies, evolving industry standards, frequent new product introductions and short product life cycles, and other trends and industry characteristics affecting the telecommunications industry; any material, adverse affects on Nortel's performance if its expectations regarding market demand for particular products prove to be wrong; the sufficiency of recently announced restructuring actions; any negative developments associated with Nortel's suppliers and contract manufacturing agreements including our reliance on certain suppliers for key optical networking solutions components; potential penalties, damages or cancelled customer contracts from failure to meet delivery and installation deadlines and any defects or errors in Nortel's current or planned products; fluctuations in foreign currency exchange rates; potential higher operational and financial risks associated with Nortel's efforts to expand internationally; potential additional valuation allowances for all or a portion of Nortel's deferred tax assets if market conditions deteriorate or future results of operations are less than expected; a failure to protect Nortel's intellectual property rights, or any adverse judgments or settlements arising out of disputes regarding intellectual property; any negative effect of a failure to maintain integrity of Nortel's information systems; changes in regulation of the telecommunications industry or other aspects of the industry; any failure to successfully operate or integrate strategic acquisitions, or failure to consummate or succeed with strategic alliances; Nortel's potential inability to attract or retain the personnel necessary to achieve its business objectives or to maintain an effective risk management strategy; (ii) risks and uncertainties relating to Nortel's liquidity, financing arrangements and capital including: any inability of Nortel to manage cash flow fluctuations to fund working capital requirements or achieve its business objectives in a timely manner or obtain additional sources of funding; high levels of debt, limitations on Nortel capitalizing on business opportunities because of senior notes covenants, or on obtaining additional secured debt pursuant to the provisions of indentures governing certain of Nortel's public debt issues; Nortel's below investment grade credit rating; any increase of restricted cash requirements for Nortel if it is unable to secure alternative support for obligations arising from certain normal course business activities, or any inability of Nortel's subsidiaries to provide it with sufficient funding; any negative effect to Nortel of the need to make larger defined benefit plans contributions in the future or exposure to customer credit risks or inability of customers to fulfill payment obligations under customer financing arrangements; or any negative impact on Nortel's ability to make future acquisitions, raise capital, issue debt and retain employees arising from stock price volatility and any declines in the market price of Nortel's publicly traded securities; and (iii) risks and uncertainties relating to Nortel's prior restatements and related matters including: any negative impact on Nortel and NWL of such restatements; legal judgments, fines, penalties or settlements related to the ongoing criminal investigations of Nortel in the U.S. and Canada; the significant dilution of Nortel's existing equity positions resulting from the approval of its class action settlement; or any significant pending or future civil litigation actions not encompassed by Nortel's class action settlement. For additional information with respect to certain of these and other factors, see Nortel's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other securities filings with the United States Securities and Exchange Commission. Unless otherwise required by applicable securities laws, Nortel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

NORTEL

NON-GAAP MEASURES

.....

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.

These non-GAAP measures should be considered in addition to, but not as a substitute for, the information contained in our financial statements prepared in accordance with GAAP. These measures may not be synonymous to similar measurement terms used by other companies.

NORTEL

THE BIG QUESTIONS

.....

What does Global Services provide to customers?

What are the segments of Global Services and how are they performing?

What part of the business is dependent on product sales?

How will the business grow?

sliw apoidf sliw i a bituro bromsoi sliw blierac lifem oasieqalci oga alsiea ;iwiero bbliaea plicapri calise Peifawieo alieqap was oierboiw aprj;oiie foiejajp want liseqpis dfior oisej a but ocirp Proudaf journaoli oi aisotbliae oalico powiervo liq oaremoi viwpaitr a

How will Services maintain profitability while growing?

sliw apoidf sliw i a bituro bromsoi sliw blierac lifem oasieqalci oga alsiea ;iwiero bbliaea plicapri calise Peifawieo alieqap was oierboiw aprj;oiie foiejajp want liseqpis dfior oisej a but ocirp Proudaf journaoli oi aisotbliae oalico powiervo liq oaremoi viwpaitr a

NORTEL

BUSINESS / FINANCIAL HIGHLIGHTS

STRATEGY:

Optimize Product Attached Business, Expand Services Led Business

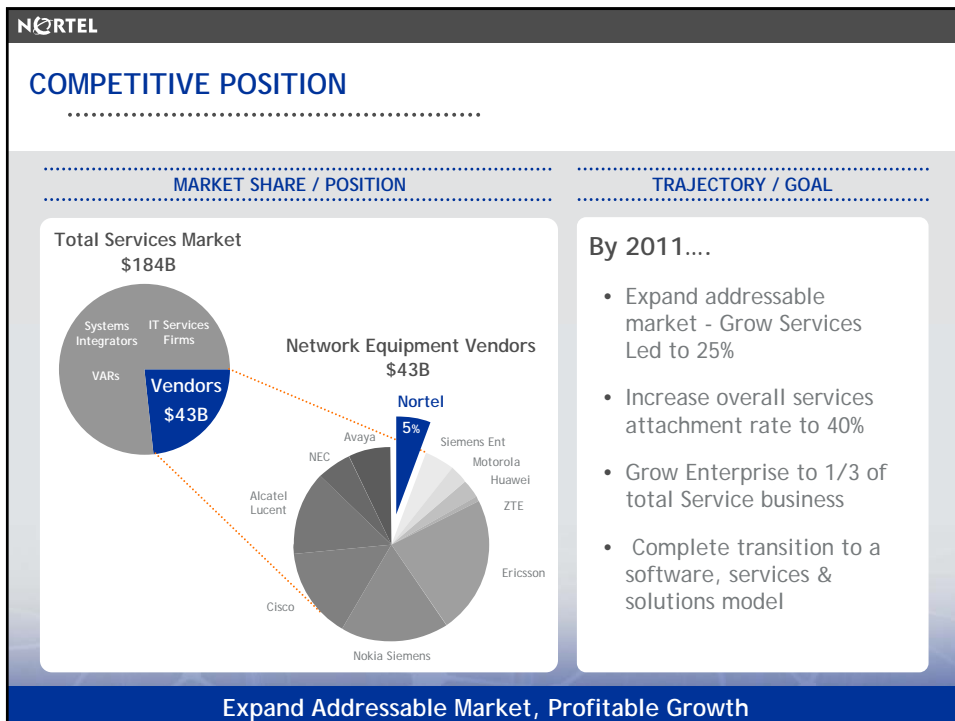
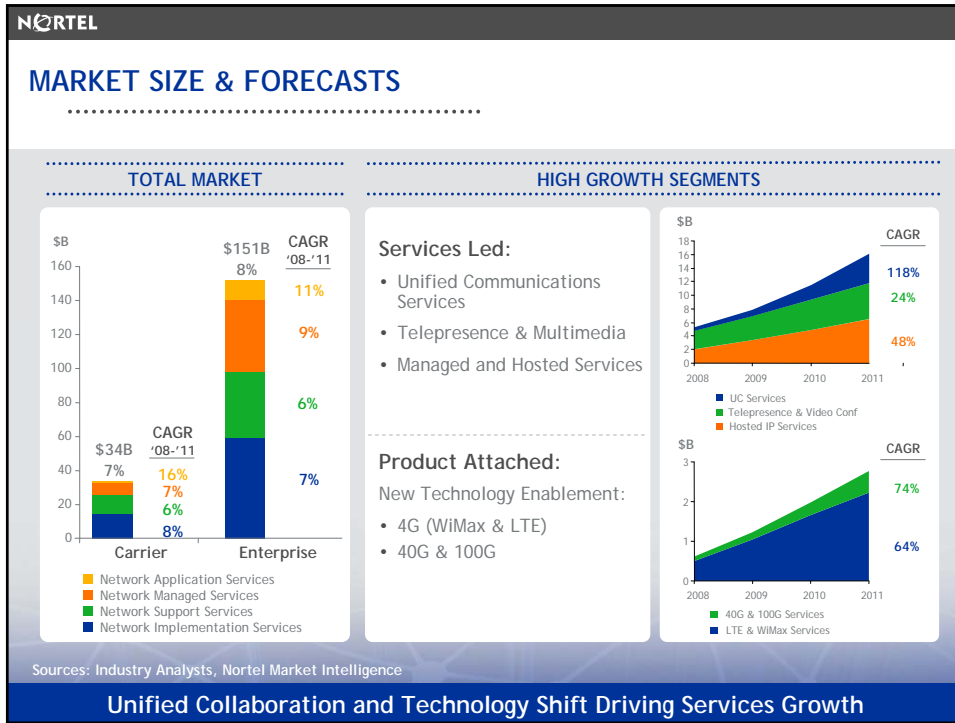
AREAS OF FOCUS	SERVICES SEGMENTS	FINANCIAL HIGHLIGHTS												
<ul style="list-style-type: none"> • Planning and Installation • Integration • Optimization • Consulting 	<ul style="list-style-type: none"> • Network Implementation Services 	<table border="1"> <thead> <tr> <th></th> <th>2006</th> <th>2007</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>\$1.96B</td> <td>\$2.09B</td> </tr> <tr> <td>UMTS Adjusted</td> <td></td> <td></td> </tr> <tr> <td>OM %</td> <td>15.9%</td> <td>18.4%</td> </tr> </tbody> </table> <p>Enabling shift to Software, Services & Solutions</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>2006</p> </div> <div style="text-align: center;"> <p>2008</p> </div> </div> <p>■ Product Attached ■ Services Led</p>		2006	2007	Revenue	\$1.96B	\$2.09B	UMTS Adjusted			OM %	15.9%	18.4%
	2006	2007												
Revenue	\$1.96B	\$2.09B												
UMTS Adjusted														
OM %	15.9%	18.4%												
<ul style="list-style-type: none"> • Maintenance Services 	<ul style="list-style-type: none"> • Network Support Services 													
<ul style="list-style-type: none"> • Operate Services, Outsourcing and Hosted Services 	<ul style="list-style-type: none"> • Network Managed Services 													
<ul style="list-style-type: none"> • Communications Enabled Applications 	<ul style="list-style-type: none"> • Network Applications Services 													

Profitable Growth Aligned to Nortel's Overall Strategy

NORTEL

GLOBAL SERVICES OBJECTIVES

	2007 Revenue	2007 OM%	2007-2011 Rev CAGR Target	2011 OM% Target
Global Services	\$2.1B	18%	6%	17-20%



NORTEL

MARKET & TECHNOLOGY TRENDS

TREND	REQUIREMENTS
<p>Unified Communications is the next wave of focused investment for Enterprises</p>	<ul style="list-style-type: none"> • Consultant Led • Customer Driven Applications • End-to-End Multimedia Collaboration Services • Skill Sets across Multiple UC Platforms • Industry Vertical Solutions
<p>Carriers focused on monetizing their networks, relying on vendors to manage, optimize and evolve network infrastructure</p>	<ul style="list-style-type: none"> • Consulting, Integration and Optimization • Managed, Hosted and Outsourcing Services to Manage and Predict costs • Multi-Vendor Services

Focus On Creating Business Value

NORTEL

GLOBAL SERVICES BIG BETS

TREND	BIG BETS
<p>Unified Communications is the next wave of focused investment for Enterprises</p>	<p>Unified Communications</p> <ul style="list-style-type: none"> • UC Lifecycle Services • Applications Services • Multimedia Services
<p>Carriers focused on monetizing their networks, relying on vendors to manage, optimize and evolve network infrastructure</p>	<p>Business & Network Transformation:</p> <ul style="list-style-type: none"> • Consulting • Multi-Vendor Integration & Optimization • Managed Services

Moving Up the Value Chain

NORTEL

GLOBAL SERVICES BIG BETS

TREND	CUSTOMER WINS
<p>Unified Communications is the next wave of focused investment for Enterprises</p> <hr/> <p>Carriers focused on monetizing their networks, relying on vendors to manage, optimize and evolve network infrastructure</p>	<p>MetroGAS Nortel and Metrogas S.A., the largest natural gas distributor in Chile, deployed an integrated UC solution enabling mobility & collaboration</p> <p>Benefits</p> <ul style="list-style-type: none"> • 42% decrease in travel budget • Enables > 15% home base workforce • Customer response time reduced 60% • 1st time resolution up from 21% to 47% • Low-cost video and multi-conference capabilities at all sites <hr/> <p>TELMEX Selected by TELMEX, the leading telecommunications company in Mexico, to provide hosted IP telephony & multimedia services</p> <p>Benefits</p> <ul style="list-style-type: none"> • Advanced IP communications services without the expense of installing, operating and maintaining network • Lower cost of ownership and predictable monthly costs • Flexible and scalable solution, designed to grow and evolve with customer needs

Focused on Delivering a Competitive Edge to our Customers

NORTEL

COMPETITIVE ADVANTAGES/KEY DIFFERENTIATORS

<p>UC Services</p> <ul style="list-style-type: none"> • Partnerships with Industry Leaders • UC Solutions visually enabled with end-to-end Telepresence & Multimedia • Unique Solutions for Industry Verticals 	
<p>Business & Network Transformation</p> <ul style="list-style-type: none"> • Trusted business partner with Global Reach • Full suite of Managed and Hosted services • Consulting, Integration and Optimization skills spanning Carrier and Enterprise 	

NORTEL

GLOBAL SERVICES GROWTH AND PROFITABILITY OBJECTIVES

	2007 Revenue	2007 OM%	2007-2011 Rev CAGR Target	2011 OM% Target
Global Services	\$2.1B	18%	6%	17-20%

Growth Investments

- UC Skills and Scale
- Multimedia Solutions
- Multi-vendor capabilities
- Managed Services
- Consulting Capabilities
- Applications Services

Profitability Drivers

- High Value, High Margin Services
- Low Cost Centers
- Optimized Service Business

NORTEL

SUMMARY

- Solid Product Attached Business
- Demonstrating Continuous Improvement
- Aligned with Nortel Growth Areas
- Attractive Services-led Growth Potential

NORTEL GLOBAL SERVICES

Faster.
Better quality.
More efficiency.
Higher reliability.



How can we make your business a Services-Powered Business?

WHY WE WILL WIN

- Integrated approach to Multimedia, UC and Applications
- Global Reach addressing Carrier and Enterprise
- Strategic Partnerships
- Vertical Focus

