


OPERATIONS AS A COMPETITIVE ADVANTAGE

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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.

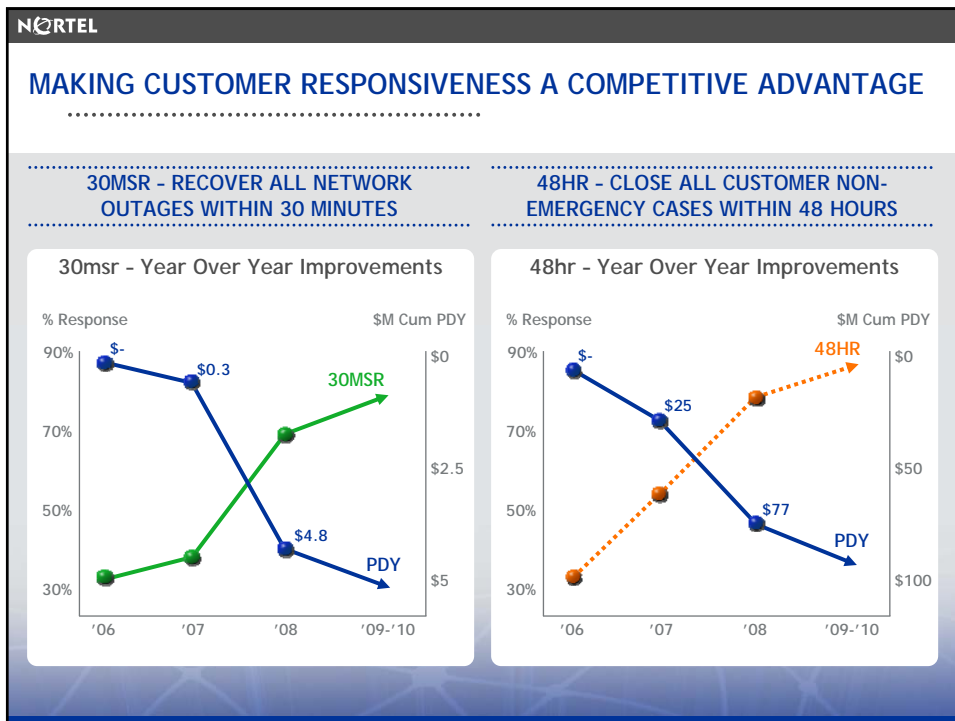
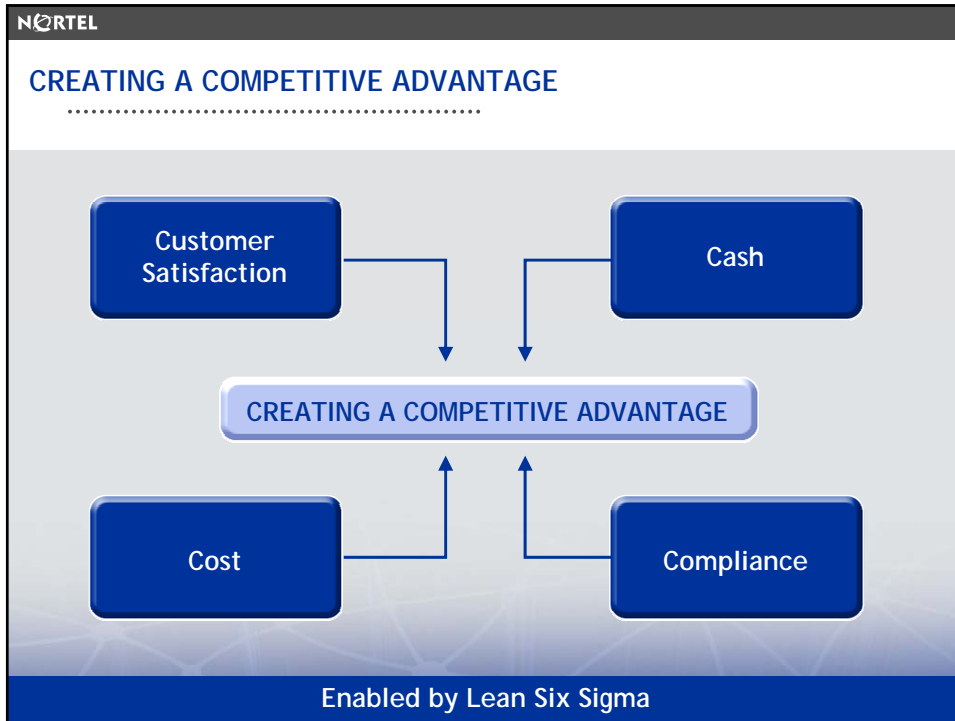
These non-GAAP measures should be considered in addition to, but not as a substitute for, the information contained in our financial statements prepared in accordance with GAAP. These measures may not be synonymous to similar measurement terms used by other companies.

NORTEL

GLOBAL OPERATIONS OVERVIEW

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- ~ 6000 customers globally
 - ~ 800,000 shipments per year
 - 150 deployment sites
 - 210,000 support cases per year
 - 65,000 finished goods
 - \$7B annual purchases
 - ~ 9,000 employees
 - ~ 100 support & engineering locations



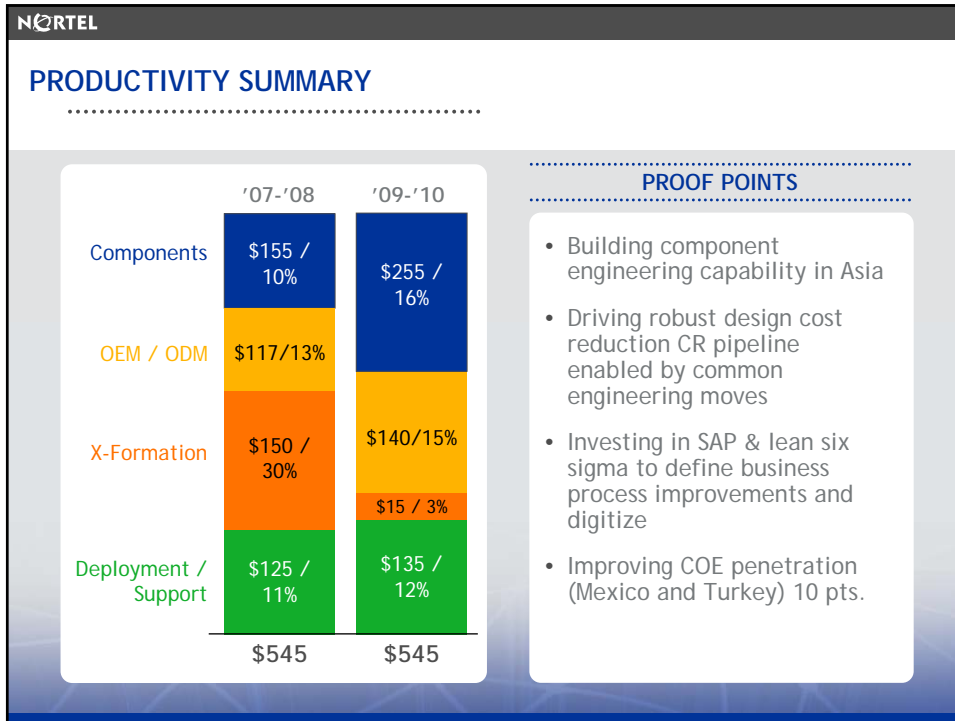


PRODUCTIVITY IS REAL AND HITTING THE LEDGER

| BUSINESS MODEL | | | COMPETITIVE ASSESSMENT - GROSS MARGINS | | | |
|----------------------|--------------|-------------|--|------------|------------|---------------|
| | 2006 | Target | Fiscal Year Average | 2006 | 2007 | Δ GM% |
| Revenue Growth | 8.5% | 10%+ | Cisco | 64% | 64% | - |
| Gross Margins | 38.9% | ~43% | Alcatel/Lucent | 38% | 35% | (3 pts) |
| R&D | 17% | ~14-15% | Ericsson | 42% | 39% | (3 pts) |
| SG&A | 22% | ~15-17% | Motorola | N/A | N/A | - |
| OM | 0% | ~13% | Nokia-Siemens | 34% | 30% | (4 pts) |
| | | | Nortel | 39% | 42% | +3 pts |

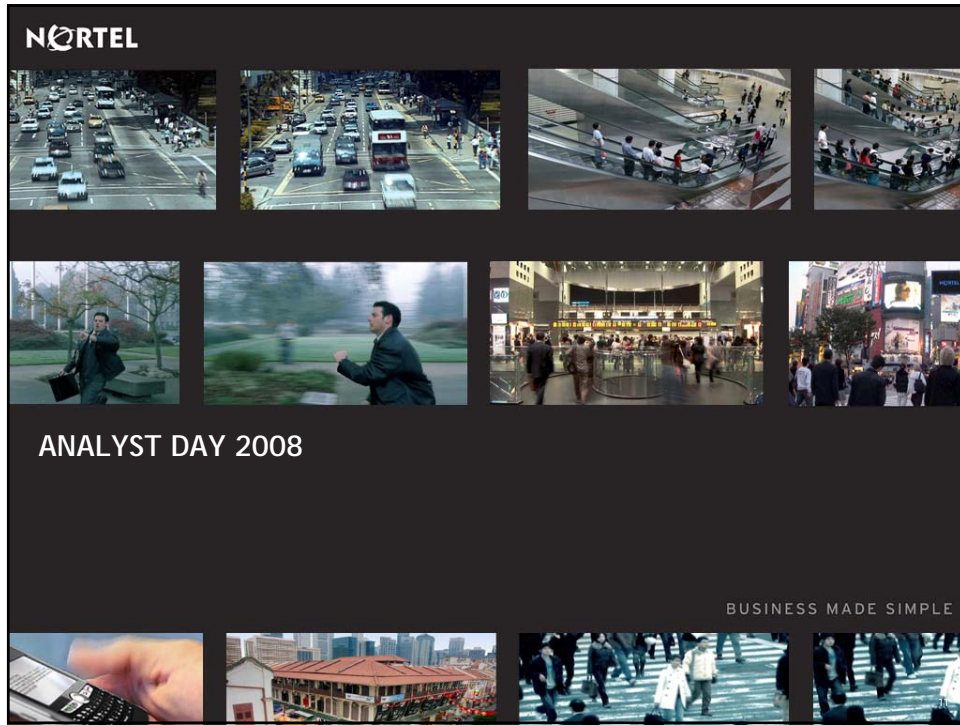
PRODUCTIVITY IS SUSTAINABLE GOING FORWARD

| WHERE PRODUCTIVITY WILL COME FROM | | | | | HOW WILL WE DELIVER GOING FORWARD | | | |
|-----------------------------------|--------------|---------------|---------------|--------------------|-----------------------------------|-----------------|--------------|--------------|
| Categories | \$M Spend | '07-'08 Rates | '08-'09 Rates | \$M Annual Opptny | Categories | Direct Material | Direct Labor | Total |
| Components | 1,550 | 10% | 16% | 200-250 | Sourcing Effectiveness | 195 | - | 195 |
| OEM / ODM | 900 | 13% | 15% | 100-150 | Design Cost Reduction | 200 | - | 200 |
| X-Formation | 500 | 30% | 3% | 10-15 | Global Optimization | 15 | 80 | 95 |
| Deployment | 800 | 12% | 12% | 90-110 | •Manufacturing | | | |
| Support | 300 | 10% | 12% | 30-50 | •Deploy/Support | | | |
| | | | | | Digitization / Six Sigma | - | 55 | 55 |
| Total | 4,050 | 14% | 13% | \$500-\$575 | Total | \$410 | \$135 | \$545 |



SUMMARY

- Attacking Quality as Next Customer Initiative
- On Track to Making Responsiveness/ Speed Customer Differentiator
- Operating Framework Established and Embedded Accountability 4 C's
- Six Sigma Driving All Change
- Cost Reduction Mentality in Place and Hitting the Ledger
- Clear Line of Sight to Specific Programs that will Ensure Cost Reduction is Sustainable



ANALYST DAY 2008

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