



NORTEL

Business made simple



Carrier Networks

Richard Lowe
President, Carrier Networks
JP Morgan, May 21, 2007

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Safe Harbor

Certain statements made in today's presentation may contain words such as "could", "expects", "may", "anticipates", "believes", "intends", "estimates", "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, 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; Nortel's prices increasing at or above the rate of price increases for similar products in geographic regions in which Nortel sells its products; 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 initial customer deployments in emerging markets; cost reductions resulting from the 2007 and 2006 restructuring plans; increased employee costs relative to expected cost of living adjustments and employee bonuses; and the effective execution of Nortel's strategy, including implementation of its Business Transformation initiatives in 2007. Nortel has also made certain macroeconomic and general industry assumptions in the preparation of its financial guidance including: a modest decrease in the growth rate of the gross domestic product of global economies which is lower than the growth rate in 2006; global service provider capital expenditures in 2007 reflecting mid to high single digit growth as compared to high single digit growth in 2006; global growth rate to remain stable with investments in next generation products and services to offset 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 as of the date hereof, may prove to be inaccurate and consequently Nortel's actual results could differ materially from its expectations set out in today's presentation.

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, 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 current restatement and related matters including: any negative impact on Nortel and NNL of the current restatement; legal judgments, fines, penalties or settlements, or any substantial regulatory fines or other penalties or sanctions, related to the ongoing regulatory and 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; any significant pending or future civil litigation actions not encompassed by Nortel's class action settlement; any unsuccessful remediation of Nortel's material weakness in internal control over financial reporting resulting in an inability to report Nortel's results of operations and financial condition accurately and in a timely manner; Nortel's inability to access, in its current form, its shelf registration filed with the United States Securities and Exchange Commission (SEC); or any breach by Nortel of the continued listing requirements of the NYSE or TSX causing the NYSE and/or the TSX to commence suspension or delisting procedures. For additional information with respect to certain of these and other factors, see Nortel's Annual Report on Form 10-K and other securities filings with the SEC. 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.

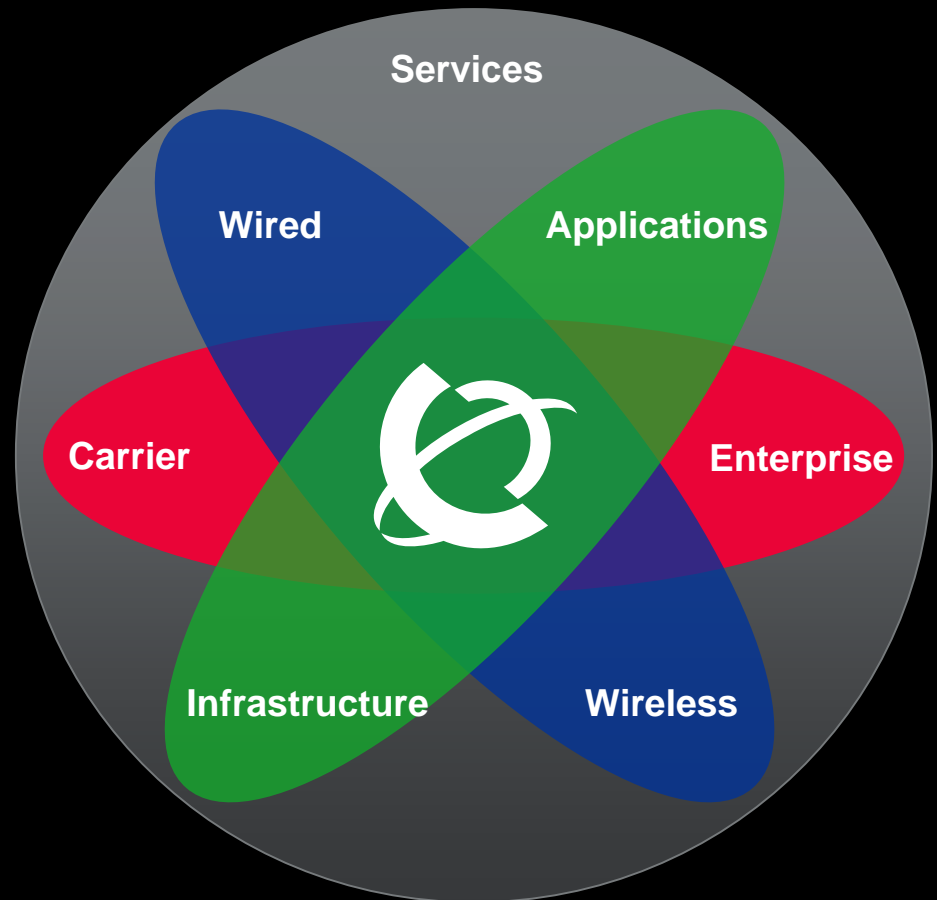
Networking for the New Era



Solutions

that cross boundaries

- Unified communications
- Fixed-mobile convergence
- New bandwidth bottlenecks
- Network-based applications



Simplicity

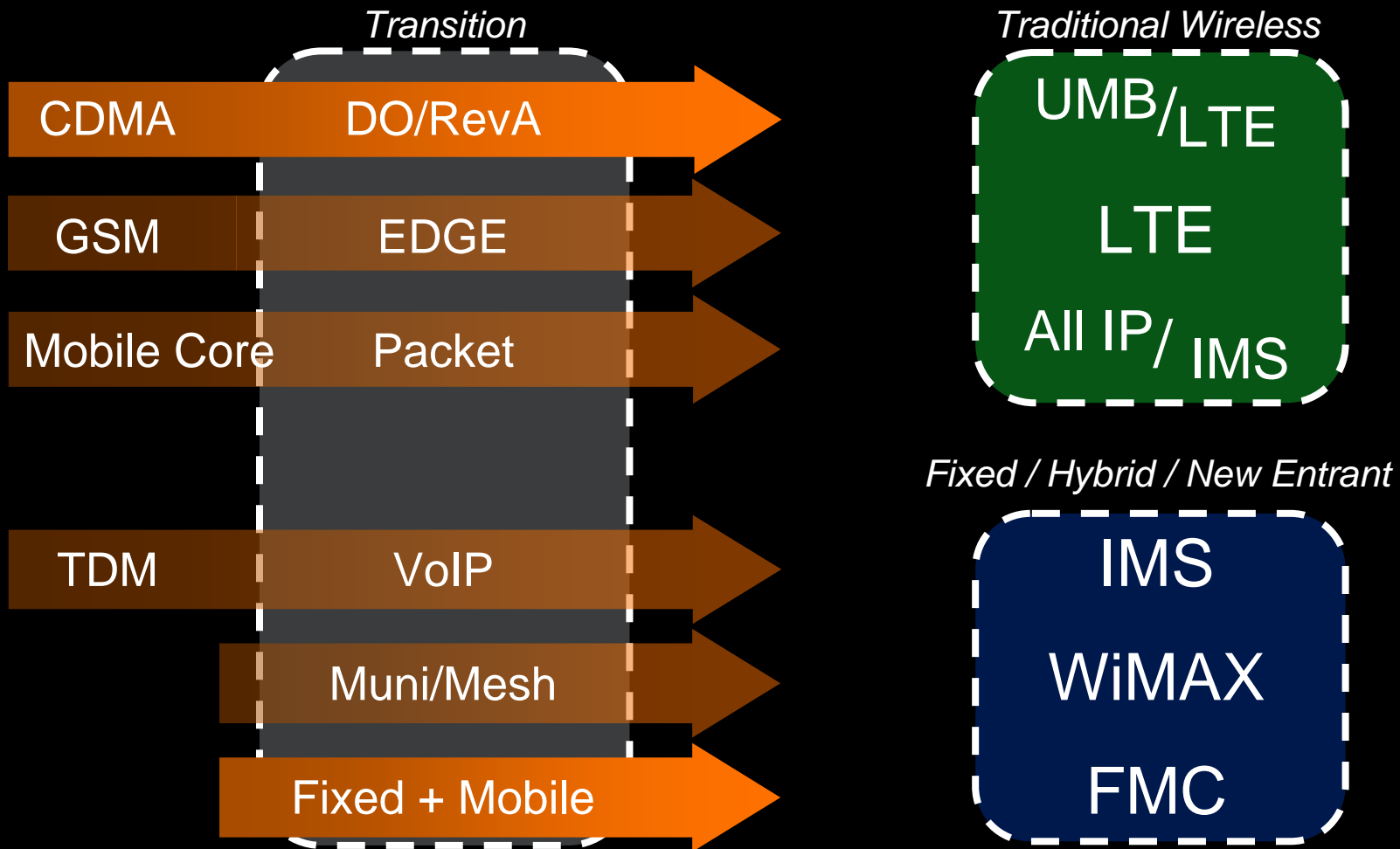
trumps Complexity

Business Made Simple



Our Portfolio and our Customers

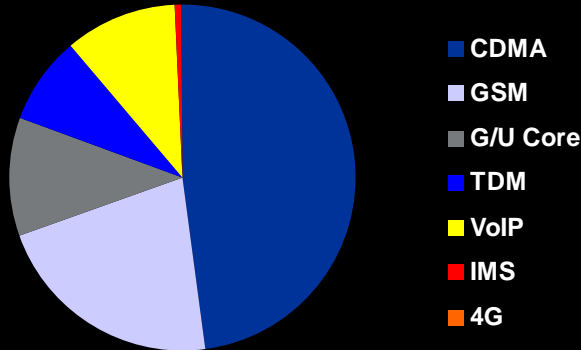
Next Generation Mobility & Convergence





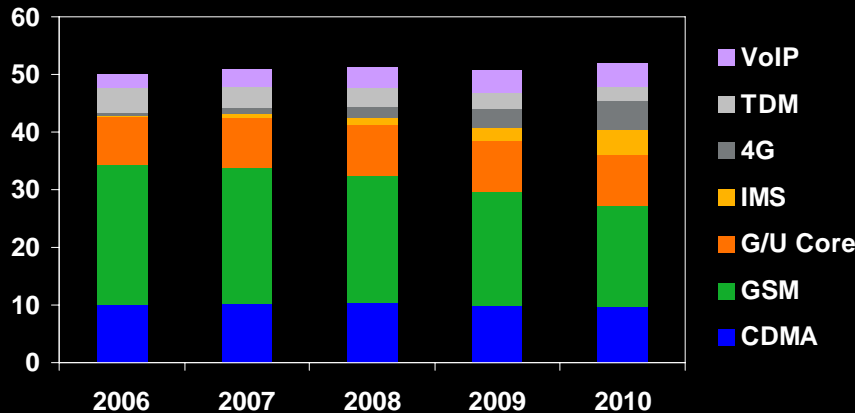
Stability Through the Transitions

2006 Revenue mix (without UMTS)



- #2 CDMA
- #1 EV-DO
- #1 VoIP, MG, SS
- #1 TDM in NA
- #1 GSMR

Addressable Market: Forecast

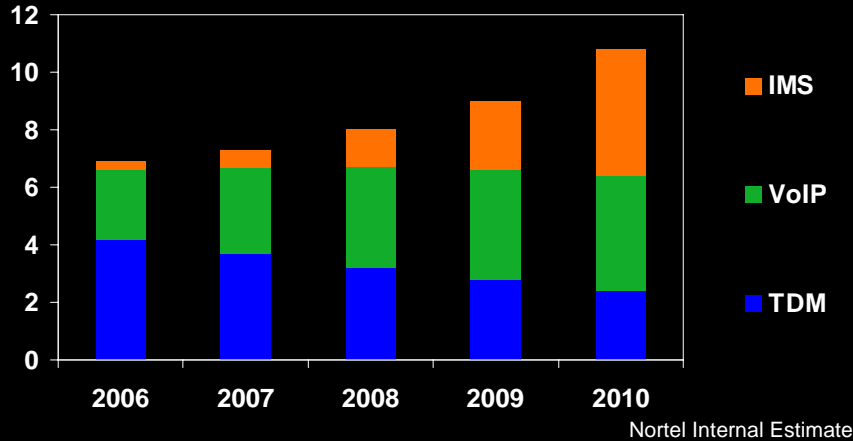


- Monitor the 4G ramp
- Groundwork for IMS
- Cross-sell PBT & Services

Nortel Internal Estimate

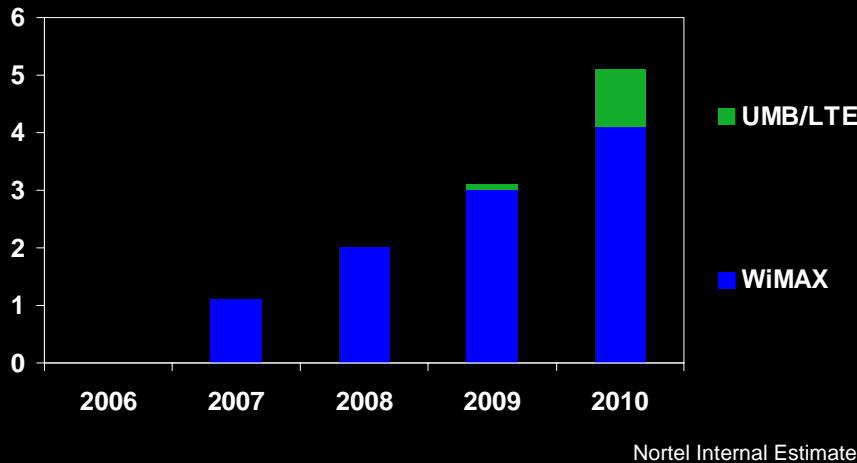


Strategic Segments: Detail



Core Networking

- VoIP as transition to IMS
- Hosting for Enterprise
- Applications pull-through



4G Wireless Access

- Common investment
- Ecosystem focus
- Timing the ramp



Strategic Markets: Detail

CDMA Spectrum

WiMAX Entrants
VoIP / IMS / ICA

2G to 4G

WiMAX Entrants
VoIP / IMS / ICA

2G to 4G

WiMAX Entrants
VoIP / IMS / ICA

FMC

LG Success

WiMAX Entrants
Investment

Reshaping ourselves

sweating the assets
opening new doors

Back On Offense!



HOW MANY DEVICES DO YOU HAVE?

Cell phones, PDAs, Laptops, Desktops,
Pagers, Cameras, MP3 players, Cars,
Refrigerators, ATMs, Lighting, Heating,
All connected to the network.

HYPER-CONNECTIVITY
DEMANDS SIMPLICITY.

- Driving the Industry agenda
- Turning up the Volume
- Real Partners, Real Value
- Stepping up to Challenge

Business Made Simple

Summing it all up ...



“The changes taking place within Nortel are as exciting and as tough as the changes that are happening in our industry. ... Make no mistake about it, Nortel is taking control of its destiny.”

Mike Zafirovski, from his 2007 Letter to Shareholders

- We have a renewed **Focus**
Customers in Transition
Ecosystem partnerships
- We are listening to our **customers**
- The market is responding
- Bringing all of our assets to bear
- Controlling our own destiny
- Back on **Offense!**



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