

NORTEL NETWORKS CORPORATION
2006 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TORONTO, ONTARIO
JUNE 29, 2006

Minutes of the 2006 Annual and Special Meeting of Shareholders of Nortel Networks Corporation held at the Toronto Congress Centre, 650 Dixon Road, Toronto, Ontario, on the 29th day of June, 2006 at approximately 10:00AM (local time).

The meeting was called to order by Mr. John A. MacNaughton, a member of the Board of Directors, who then chaired the meeting. The Corporate Secretary, Mr. Gordon A. Davies, acted as Secretary for the meeting.

The Chairman welcomed all those attending in person and joining the meeting by Webcast. The Chairman bid a special welcome to shareholders and guests who were current and retired employees of the Corporation. On behalf of the Chairman of the Board, Mr. Harry Pearce, Mr. MacNaughton offered Mr. Pearce's regrets that he was unable to attend the meeting due to personal reasons and he stated that the Board had asked him to chair the meeting in Mr. Pearce's absence. He then offered Mr. Pearce the sincerest best wishes of all those in attendance. He noted that in addition to the Corporate Secretary, he was also joined on the platform by Mike Zafirovski, President and Chief Executive Officer, and Peter Currie, Executive Vice-President and Chief Financial Officer.

PROCEDURAL MATTERS

The Chairman briefly reviewed the agenda of the meeting and explained some technical matters for following the discussion as well as the procedure for asking questions. The Chairman stated that the meeting was convened pursuant to the resolutions of the Board of Directors and in accordance with the Corporation's bylaws. He noted that voting on all of the scheduled matters of business would take place by ballot.

APPOINTMENT OF SCRUTINEERS

The Chairman appointed Ms. Christine Lawton and Ms. Florence Smith, representatives of Computershare Trust Company of Canada, to act as Scrutineers for the meeting. The Chairman delegated to the Scrutineers the task of reporting on attendance at the meeting, examining the proxies and reporting on the results of ballots taken at the meeting.

NOTICE OF MEETING AND DECLARATION OF MAILING

The Chairman advised that the Secretary had confirmed that the notice of the meeting had been duly given and that a declaration of mailing was available for inspection by any shareholder.

PRELIMINARY SCRUTINEERS' REPORT ON ATTENDANCE AND DETERMINATION OF QUORUM

The Chairman read the Scrutineers' preliminary report on the meeting's attendance and declared that a quorum was present. The Chairman then asked that the Scrutineers submit their final report when ready.

CALL TO ORDER

After noting that proper notice had been sent and that quorum was present, the Chairman declared the meeting duly constituted and ready to transact business.

ADDRESS BY THE PRESIDENT AND THE CHIEF EXECUTIVE OFFICER

Mike Zafirovski, President and Chief Executive Officer, addressed the meeting. On behalf of the Chairman of the Board, Mr. Zafirovski made several comments. He stated that over the past few years there has been significant renewal of the Board and that the principal objective had been to ensure an orderly succession, continuity and renewal. Mr. Zafirovski then discussed the election of members to the Board throughout 2004 and 2005 and he introduced the two new nominees, Messrs. Claude Mongeau and John Watson, who would be put forward for election later in the meeting. Mr. Zafirovski stressed that the Board is absolutely committed to effective corporate governance and to becoming a great company again. He stated that the Corporation's efforts to achieve profitability would be governed by the highest of ethical standards, accountability, and sound management and business strategies that balance acceptable risk with aggressive pursuit of excellent returns. He stated that shareholders' trust will never be taken for granted.

Mr. Zafirovski then moved on to deliver his address as President and CEO. He stated that management's conviction was to recreate Nortel as a great company and that financial strength would be the foundation of its business. He said that management is committed to a transparent and consistent agenda, with an unmatched drive to meet results and what he called the high say/do ratio.

Mr. Zafirovski stated that the first step in achieving any aggressive target is strong leadership from all managers and people aspiring to be managers. He referred to the Corporation's leadership values and provided an assessment of the Corporation's key strengths as well as areas that require improvement. He noted management's financial objectives, specifically: double-digit operating margins; strong cash flow generation and credit rating; improved revenue growth; and an increase in share price.

Mr. Zafirovski then outlined management's plan and framework: near-term, long-term and foundational. He introduced the "BIG" near-term plan, which stands for 'Business transformation', 'Integrity renewal' and 'Growth imperatives'. He also introduced management's long-term six-point plan. He described both plans as being underpinned by people, strategy, products and budget.

Mr. Zafirovski went on to discuss the BIG plan in greater detail. He introduced the various teams under the business transformation initiative and gave several examples of how a

combination of growth, process and cost actions could place the Corporation at the industry average for operating margin within the next three years.

Mr. Zafirovski then proceeded to discuss the second initiative in the BIG plan, integrity renewal. He stated that the Corporation has put in place contemporary corporate governance and a new code of conduct. He noted that the Corporation is now current with its financial reporting and intends to stay current. He also mentioned the recent settlement of class action lawsuits against the Corporation and looked forward to resolving the outstanding investigations with regulatory and law enforcement authorities.

Turning to the third BIG initiative, growth imperative, Mr. Zafirovski listed four areas where the Corporation can attack aggressively with zero to moderate investment: increasing the emphasis on go-to-market activities for enterprise; services; Metro Ethernet Networks; and investments in video, IMS and WiMAX. Mr. Zafirovski then outlined the Corporation's market outlook through 2008. He described the Corporation's strong position in the wireless, wireline and enterprise markets. He commented on the strong geographic mix, but stated that in terms of end user markets the Corporation needs to build strength in the GSM and UMTS areas. He then introduced a short video containing customer testimonials.

Mr. Zafirovski followed the video by stating that what the Corporation's customers are looking for is a company that can provide a converged network and a multimedia experience with applications and services. With regard to applications and services he noted that there will be demand for multimedia products that integrate IM, video blogging, interactive video, and VoIP. He stressed that future products must be able to seamlessly go anywhere over both fixed and wireless networks with speed.

Turning to the long-term six-point plan, Mr. Zafirovski placed the six points into two categories: foundation and growth. The foundation category contains the elements of: a world-class management team, culture and processes; aggressive focus on the balance sheet, corporate governance and business/financial controls; and drive to world-class cost structure and quality levels. The growth category contains the elements: a target 20% market share in all key activities; investing for profitable growth; and an increased emphasis on service and software solutions. Mr. Zafirovski noted that without the foundation elements, the growth aspirations are unachievable. He stated that, as with any great business comeback, this will take time.

Mr. Zafirovski then focused more closely on the first point of the foundation category: a world-class management team, culture and processes. He took the time to introduce several key members of the management team, their responsibilities with the Corporation and a brief summary of their backgrounds. Switching to culture and processes, Mr. Zafirovski briefly described the Corporation's "Six Sigma" program. He also introduced the "Own It" program which gives employees a common problem solving technique based on Six Sigma tools. He then introduced a brief video containing employee testimonials.

Mr. Zafirovski stated that there is a strong commitment to the plan, particularly the growth category. He indicated that the Corporation would not be scared to invest in profitable growth and that it would increase its emphasis on services, software solutions and applications.

Mr. Zafirovski stated that there are three major areas in which the Corporation can control its own destiny and guide its priorities. The first is the lead in next generation mobility

which the Corporation can drive from its strong technological base. The second is the lead in next generation enterprise infrastructure and the third is the lead in next generation applications and services.

In conclusion, Mr. Zafirovski reiterated management's commitment to achieve its financial objectives and restore credibility through a transparent agenda with a significant say/do ratio. On behalf of the Board, himself and all of the Corporation's employees, he thanked the shareholders for their continuing support.

ADDRESS BY THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Mr. Currie, Executive Vice President and Chief Financial Officer addressed the meeting. Mr. Currie noted the following with regard to the Corporation's financial results for 2005: there was growth in all business segments ranging from 5% to 16% and in all regions ranging from 9% to 11%; gross margins at 41% were within the expected range but down 0.5% year-over-year and included the negative impact of 2.4% from a low margin international wireless contract; operating expense was 40.5% of revenues, improved by 2.5% over 2004; other expenses included the litigation settlement expense of \$2.5 billion; net loss for 2005 was \$2.6 billion or \$0.59 per share; and cash balance at year end was approximately \$2.95 billion, down \$750 million from 2004.

Mr Currie stated that revenue from Carrier Packet Networks and CDMA Networks had both increased, and there was a substantial increase in revenue from GSM and UTMS Networks mostly from the Asia-Pacific region, the Europe, the Middle East and Africa region (Europe) and the Caribbean and Latin America region. There was also an increase in revenue from Enterprise business. In all, revenues from each of North America and Asia-Pacific increased by 11% and revenues from each of Europe, the Caribbean and Latin America increased by 9%.

Turning to cash liquidity, Mr. Currie stated that the Corporation is accessing the debt market to repay its interim debt as well as focusing on strengthening its cash position through various operating activities. He stressed the focus on cash and cash resources to drive the Corporation's future growth.

Mr. Currie mentioned the restatement that was completed with the filing of the 2005 Form 10-K in April of this year. He stated that this restatement was done to improve the transparency and integrity of the Corporation's financial reporting, keeping in line with the new financial governance practices. He stated that the impact of the restatement was the movement of money between periods, and that there was no impact on cash for any periods. He also stated that with the filing of the Q1 2006 results, the Corporation is now current with its financial reporting. Mr. Currie stated that in keeping with the Corporation's corporate governance and control focus and consistent with contemporary global governance standards, management will be tendering the Corporation's external auditor requirements and inviting participation from the major international accounting firms.

Mr. Currie then spoke about the finance transformation process, designed to transform various internal functions through the application of new technologies and process standardization. He stated that the goals of the process are to standardize and optimize the processes, reduce the number of finance systems and manual journal entries and eliminate non-

value added activities. Mr. Currie stated that the result will be a new focus on analyses that promote faster and better decision making.

Mr. Currie stated that the Corporation continues to implement remedial measures to address the material weaknesses in its internal controls detailed in the 2005 annual report. Mr. Currie stated that management has a target to reduce the number of material weaknesses to three by the end of 2006, and resolve them all by the end of 2007.

In conclusion, Mr. Currie said that he and his team have dedicated significant resources, attention and support from all parts of the Corporation to address these issues. He stated that there is a clear path to having the appropriate controls and processes in place for accurate, timely and transparent financial reporting of the highest quality.

INTRODUCTION OF THE DIRECTORS

The Chairman introduced the Directors of the Corporation present at the meeting and standing for re-election.

FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Chairman advised that the 2005 annual report to shareholders including the Corporation's 2005 financial statements and auditor's report were delivered to shareholders in advance of the meeting and that additional copies were made available at the registration table. The Chairman introduced Bruce Richmond, Don Newell and Rich Herlin of Deloitte & Touche LLP, independent auditors of the Corporation. Mr. Richmond was made available to answer questions.

QUESTIONS REGARDING 2005 FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Chairman invited questions from shareholders regarding the 2005 financial statements and auditors' report. The Chairman, Mr. Currie, Mr. Zafirovski and Mr. Richmond responded to questions from shareholders on a variety of topics including: the steps taken to prevent future restatements; the costs of the restatements; the increased emphasis on internal control systems; the status of funds placed in escrow to settle the pending class action lawsuits and the eligibility of shareholders to participate in the settlement; accountability for the Corporation's financial position; and the reasons for the delay in the completion of the second restatement.

ELECTION OF DIRECTORS

The Chairman advised the meeting that the next item of business was the election of Directors. The Chairman began by acknowledging the years of service from Messrs. Robert Brown, John Cleghorn, Robert Ingram and Ronald Osborne who were not seeking re-election. He also recognized the attendance at the meeting of Red Wilson, former Chairman of the Board, and thanked him for his continued support of the Corporation. The Chairman then stated that the Proxy Circular contains the names and backgrounds of the individuals to be nominated and asked Mr. David Drinkwater to read the names of the nominees.

Mr. Drinkwater nominated the following individuals for election as Directors of the Corporation:

Mrs. Jalynn H. Bennett
Dr. Manfred Bischoff
The Honorable James B. Hunt Jr.
Mr. John A. MacNaughton
The Honourable John Manley
Mr. Richard D. McCormick
Mr. Claude Mongeau
Mr. Harry J. Pearce
Mr. John D. Watson
Mr. Mike S. Zafirovski

The Chairman received no further nominations and declared the nominations closed. Mr. Dennis Carey moved to elect the nominees as Directors of the Corporation and Ms. Tracy Connelly McGilley seconded the motion.

The Chairman advised that under the articles of the Corporation, in order for a nominee to be elected a Director of the Corporation, at least two-thirds of the votes attaching to the shares represented at the meeting and entitled to vote for the Directors, must be voted in the nominee's favour.

The Chairman indicated that a vote by ballot would be taken for the election of the Directors of the Corporation and that ballot forms had been provided to shareholders and proxy holders when they registered prior to the meeting. He instructed the meeting on the requirements for the completion of the ballots and reminded proxy holders that they are required by law to complete a ballot in accordance with the directions of the shareholders who appointed them. Following the vote and after the collection of the ballots, the Chairman declared the balloting closed and advised that a report on the results of the ballot would be provided later in the meeting.

APPOINTMENT OF AUDITORS

The Chairman indicated that the next item of business was the appointment of Deloitte & Touche LLP as the auditors of the Corporation.

Mr. Paul Karr moved that Deloitte & Touche LLP be appointed as the independent auditors of the Corporation, to hold office until the close of the next annual meeting of the shareholders. Ms. Elena King seconded the motion.

The Chairman indicated that a vote by ballot would be taken on the appointment of Deloitte & Touche LLP as the independent auditor and that ballot forms had been provided to shareholders and proxy holders when they registered prior to the meeting. Following the vote and after the collection of the ballots, the Chairman declared the balloting closed and advised that a report on the results of the ballot would be provided later in the meeting.

RECONFIRMATION AND AMENDMENT OF THE SHAREHOLDER RIGHTS PLAN

The Chairman indicated that the next item of business was the resolution to approve the reconfirmation and amendment of the Corporation's Shareholder Rights Plan. He stated that the terms of the Rights Plan require that the shareholders reconfirm it every three years in order for it to remain in effect. He stated that the Rights Plan is a valuable tool to enhance shareholder value in the face of a bid and the Board recommends the approval of the reconfirmation of and amendments to the Rights Plan. He stated that the Rights Plan's principal purpose is to provide shareholders time to assess, and Board members time to search for alternatives to, unsolicited take-over bids.

The Chairman advised that the reasons for the Board's recommendation to reconfirm and amend the Shareholder Rights Plan as well as summaries of certain key provisions and the proposed amendments are contained in the Proxy Circular. He noted that both the amendments and reconfirmation of the Rights Plan require the approval of the "independent shareholders" by majority vote.

Mr. Robert Timberg moved that the resolution relating to the reconfirmation and amendment of the Shareholder Rights Plans be approved. Mr. Walter Lehman seconded the motion.

The Chairman indicated that a vote by ballot would be taken on the resolution to approve the reconfirmation of and amendments to the Shareholder Rights Plan and that ballot forms had been provided to shareholders and proxy holders when they registered prior to the meeting. Following the vote and after the collection of the ballots, the Chairman declared the balloting closed and advised that a report on the results of the ballot would be provided later in the meeting.

CONSOLIDATION OF ISSUED AND OUTSTANDING COMMON SHARES

The Chairman indicated that the next item of business was the special resolution approving an amendment to the Corporation's restated articles of incorporation to consolidate all of the issued and outstanding common shares. He said that the Corporation is seeking the authority for the Board to effect a share consolidation within certain parameters. He said that, if approved, the consolidation would be implemented, if at all, at a time and at a consolidation ratio selected by the Board within the range of 4 to 10 pre-consolidation shares for every post-consolidation share. The Board would have until April 10, 2007 to do this, but may, at its discretion, not do it all. The Chairman stated that the result of the consolidation would enable the Corporation's share price to return to a level that is typical of other major widely-owned companies.

The Chairman stated further that the higher share price would better position the Corporation to meet investor guidelines of certain institutional investors and investment funds, which are currently prohibited from holding the Corporation's shares. Combining this with lower transaction costs would improve the trading liquidity of the Corporation's shares.

The Chairman also stated that fewer outstanding shares increases the visibility in earnings per share and that a range of consolidation ratios allows the Board greater flexibility, as opposed

to one consolidation ratio. The Chairman stated that the Board currently believes a post-consolidation price level in the range of US \$15 to \$20 per share would be appropriate.

The Chairman noted that detailed information regarding the proposed share consolidation was described in the Proxy Circular and that approval required not less than two-thirds of the votes cast by holders of common shares present in person or by proxy at the meeting.

Ms. Leila Wong moved that the special resolution related to the share consolidation be approved and the motion was seconded by Ms. Anna Ventresca.

The Chairman indicated that a vote by ballot would be taken on this motion and that ballot forms had been provided to shareholders and proxy holders when they registered prior to the meeting. Following the vote and after the collection of the ballots, the Chairman declared the balloting closed and advised that a report on the results of the balloting would be provided later in the meeting.

SHAREHOLDER PROPOSALS

The Chairman stated that the next items of business were the two shareholder proposals submitted for consideration by shareholders at the meeting and set forth in Schedule "C" to the Proxy Circular. The Chairman indicated that a vote by ballot would be used for each proposal and that approval requires a majority of votes cast at the meeting. The Chairman instructed that the same ballot was to be used for both proposals.

Shareholders Proposal No. 1: Pay-for-Superior Performance

Mr. Daniel McCarthy representing The Carpenters' Local 27 Benefit Trust Funds moved Shareholder Proposal No. 1 and Mr. James Morris seconded the motion. Mr. McCarthy spoke to the reasons and timeliness of the motion and urged shareholders to vote in its favour. The Chairman noted that, for the reasons outlined in the Proxy Circular, the Board and management recommended that shareholders vote against this proposal.

The Chairman then instructed shareholders and proxyholders to vote and after completion of the voting declared the voting closed. He advised that ballots should be retained for use in voting on the second proposal.

Shareholders Proposal No. 2: Resolution Regarding Human Rights in China/Tibet

Ms. Jennifer Coulson representing Ethical Funds Inc. moved Shareholder Proposal No. 2 and it was seconded by Mr. Bill Sparks. Ms. Coulson presented the reasons for the proposal. Other shareholders commented on the proposal and the Chairman noted that, for the reasons outlined in the Proxy Circular, the Board and management recommended that shareholders vote against this proposal.

The Chairman then instructed shareholders and proxyholders to vote and, after completion of the voting, declared the voting closed and asked the Scrutineers to collect the completed ballots. He stated that they would be reporting on the results of the ballot later in the meeting.

SHAREHOLDER QUESTION AND COMMENT PERIOD

The Chairman declared the meeting open for questions and comments. There was a question regarding which shareholders would be entitled to compensation from the recent settlement of the class action lawsuits. Mr. Davies responded by describing the shareholder classes prescribed in the plaintiffs' pleadings in these lawsuits that will be eligible to submit claims in the settlement.

A question was raised about whether the Corporation was concerned with and/or had a strategy to combat short-selling of the Corporation's shares. Mr. Zafirovski and Mr. Currie responded by saying that there is nothing illegal about short-selling and what the Corporation needs to do is drive consistent and profitable performance.

A general concern was raised by a shareholder regarding the social implications of the Corporation's business dealings in Colombia. Mr. Zafirovski responded that while he was not familiar with the circumstances of the Corporation's involvement in Colombia, he would inquire and take appropriate action, if warranted.

A suggestion was put forward that the management team be compelled to buy a number of shares equal to 10% of their earnings. The shareholder also made a request for greater simplification of business practices to reduce costs. Mr. Zafirovski stated that there are expectations for the management team to be shareholders as described in the Proxy Circular. He also stated that there will be more simplification and cost reductions.

A question was asked about possible acquisitions. Mr. Zafirovski responded that it is always a possibility, but that the Corporation does not absolutely need to in order to survive. He stated that any acquisition must make sense for the Corporation.

A shareholder asked if the Corporation was concerned about the application of the U.S. Global Online Freedom Act in terms of its business in China. Mr. Zafirovski reiterated his backing of the Corporation's strong ethical guidelines, and that to his knowledge the legislation would not impact the Corporation.

Further concerns were raised regarding the Corporation's involvement in the China-Tibet railroad project. Mr. Zafirovski stated that the Corporation had given its response in the Proxy Circular on this issue.

A request was made for assurance that Mr. Zafirovski is committed to staying with the Corporation for the long term. In response, Mr. Zafirovski stated his reasons for coming to Nortel and, although he could not guarantee the future, he stated that he is committed to the Corporation.

SCRUTINEERS' REPORTS

Attendance at Meeting

The Chairman reviewed the Scrutineers' final report on attendance at the meeting. He advised that the report certified 84 registered shareholders and proxyholders were present in person at the meeting holding 2,507,862 shares and that 14,350 shareholders were represented by

proxies holding 2,737,060,650 shares. The total number of shares represented in person and by proxy at the meeting was 2,739,568,512 representing 63.19% of the total shares outstanding. The Chairman adopted the Scrutineers' report and asked that it be filed with the records of the meeting.

Election of Directors

The Chairman reviewed the Scrutineers' report on the vote by ballot on the motion to elect each of the ten individuals nominated for election as Directors. He reported that the votes in favour of each of the ten Directors were not less than, and were well in excess of, the two-thirds required in each case. The Chairman adopted the Scrutineers' report and asked that it be filed with the records of the meeting. The Chairman declared the 10 nominees elected Directors of the Corporation, to hold office in accordance with the Corporation's bylaws. The Chairman then welcomed the two new Directors, Messrs. John Watson and Claude Mongeau.

Appointment of Deloitte & Touche LLP as Independent Auditors to the Corporation

The Chairman reviewed the Scrutineers' report on the vote by ballot on the motion to approve the appointment of Deloitte & Touche LLP as independent auditors to the Corporation. He reported that the percentage of votes in favour of the motion was 89.4% and 10.6% were withheld from voting. The Chairman adopted the Scrutineers' report and asked that it be filed with the records of the meeting. The Chairman declared Deloitte & Touche LLP appointed as independent auditors to the Corporation, to hold office until the close of the next annual meeting of shareholders.

Reconfirmation and Amendment of Shareholder Rights Plan

The Chairman reviewed the Scrutineers' report on the vote by ballot on the motion to approve the reconfirmation and amendment of the Corporation's Shareholder Rights Plan. He reported the motion obtained 88.29% of votes cast in favour, 11.11% voted against and 0.6% withheld from voting. Votes attaching to common shares held pursuant to an employee benefit plan of the Corporation that is not considered to be an independent shareholder were excluded from the results. The Chairman adopted the Scrutineers' report and asked that it be filed with the records of the meeting. The Chairman declared the motion to approve the reconfirmation and amendment of the Corporation's Shareholder Rights Plan to be approved.

Consolidation of Issued and Outstanding Shares

The Chairman reviewed the Scrutineers' report on the vote by ballot on the motion to approve an amendment of the Corporation's restated articles of incorporation to consolidate the issued and outstanding common shares. He reported that the motion obtained 95.3% of votes cast in favour, 4.25% voted against and 0.45% withheld from voting. The Chairman adopted the Scrutineers' report and asked that it be filed with the records of the meeting. The Chairman declared the motion to approve an amendment of the Corporation's restated articles of incorporation to consolidate the issued and outstanding common shares to be approved.

Shareholder Proposals

The Chairman reviewed the Scrutineers' report on the votes by ballot on the motions on the two shareholder proposals set forth in Schedule "C" to the Proxy Circular. He reported the percentage of shares voted in favour of, against and withheld from voting on each proposal: for Shareholder Proposal No. 1, 10.29% of shares were voted in favour, 88.89% against and 0.82% withheld from voting; and for Shareholder Proposal No. 2, 32.27% of shares were voted in favour, 58.5% against and 9.22% were withheld from voting. The Chairman adopted the Scrutineers' report and asked that it be filed with the records of the meeting. The Chairman declared that the motions on Shareholders Proposals Nos. 1 and 2 were defeated and not carried.

CONCLUSION

The Chairman declared that there were no further matters to bring before the meeting. He thanked all attendees for participating in the business of the meeting and their interest in the affairs of the Corporation. Ms. Anna Ventresca motioned for the meeting to be concluded and Mr. Terry Glofcheskie seconded the motion. The motion was voted by a show of hands and the Chairman declared the meeting concluded.

/s/ Harry J. Pearce

Chairman

/s/ Gordon A. Davies

Secretary