



NORTEL NETWORKS CORPORATION

**ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS**

June 29, 2006

NORTEL
Business made simple



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Peter Currie

EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

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2005 Financial Results

US\$M



	2005	2004	Δ
Revenue	\$10.5B	\$9.5B	10.6%
Gross Margin	40.9%	41.4%	(0.5pts)
Operating Expenses	40.5%	43.0%	2.5pts
Other *	(\$2,623M)	(\$89M)	(\$2,534M)
Net Earnings (Loss)	(\$2,575M)	(\$207M)	(\$2,368M)
EPS – Fully Diluted	(\$0.59)	(\$0.05)	(\$0.54)
Cash – Year End Balance	\$2,951M	\$3,685M	(\$754M)

*Amortization of Intangibles, Shareholder Settlement expenses, Special Charges, Gain of Sale of Business, Other Income/Expense, Interest Expense

Business Segment Revenue

US\$M



	2005	2004	Δ
Carrier Packet Networks	2,828	2,589	9%
CDMA Networks	2,321	2,216	5%
GSM / UMTS Networks	2,799	2,411	16%
Enterprise	2,570	2,289	12%

Geographic Revenue

US\$M



	2005	2004	Δ
North America	5,782	5,199	11%
EMEA	2,725	2,496	9%
Asia Pacific	1,405	1,261	11%
CALA	611	560	9%

Cash and Liquidity

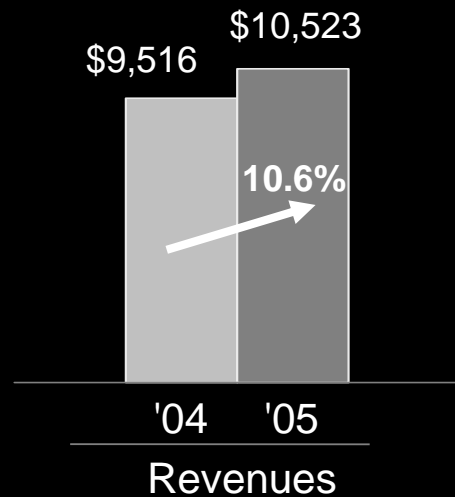


- Solid Cash Position – 2005 Y/E Balance \$2.95B
- Debt Refinancing
- Working Capital Focus
 - 6 Sigma Projects: Receivables, Inventory, Payables

Executing Financial Turnaround



(\$ US millions)



- ✓ Restatement completed
- ✓ Governance and control focus
- ✓ Finance transformation in progress
- ✓ Remedial measures for material weaknesses in progress

Restoring Financial Strength is Priority #1



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