

NORTEL NETWORKS CORPORATION  
2007 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
NEPEAN, ONTARIO  
MAY 2, 2007

---

Minutes of the 2007 Annual and Special Meeting of Shareholders of Nortel Networks Corporation (the "Corporation") held at the Nortel Carling Campus, 3500 Carling Avenue, Lab 6, Nepean, Ontario, on the 2<sup>nd</sup> day of May, 2007 at approximately 10:00AM (local time).

The meeting was chaired by Mr. Harry Pearce, Chairman of the Board of Directors. The Chief Legal Officer and Corporate Secretary, Mr. Gordon A. Davies, acted as Secretary of 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 are current and retired employees of the Corporation. He noted that in addition to the Chief Legal Officer and Corporate Secretary, he was joined on the platform by Mike Zafirovski, President and Chief Executive Officer.

The Chairman briefly reviewed the agenda of the meeting. He then described some technical matters and outlined the procedure for asking questions.

#### CALL TO ORDER

The meeting was called to order by the Chairman. The Chairman stated that the meeting was convened pursuant to the resolutions of the Board of Directors and in accordance with the Corporation's by-laws.

#### DISCLAIMER

The Secretary addressed the meeting. He noted that certain comments made in the meeting may be characterized as forward-looking under the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities legislation. The Secretary stated that certain material factors and assumptions were applied in making these statements and there are a number of other factors that could cause actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Corporation. He further stated that the meeting also includes certain non-GAAP measures. The Secretary noted that additional information concerning these factors, assumptions and non-GAAP measures is contained in the Corporation's filings with the United States Securities and Exchange Commission and the Canadian securities regulators, including the Corporation's most recently filed annual report on Form 10-K and the press release filed on May 1, 2007 announcing certain expected Q1 financial results and 2007 outlook.

#### PROCEDURAL MATTERS

The Chairman declared that if a ballot were to be conducted on the appointment of auditors the total number of shares that would be withheld from voting in accordance with the proxies submitted would be less than five percent of all the votes that might be cast on the ballot. Accordingly, the Chairman declared that voting on all of the scheduled matters of business would take place by ballot with the exception of the appointment of the auditors, which would be done by show of hands unless a vote by ballot is required.

#### APPOINTMENT OF SCRUTINEERS

The Chairman appointed Ms Margot Jordan and Ms Florence Smith, representatives of Computershare Trust Company of Canada, to act as Scrutineers for the meeting. The Chairman requested the Scrutineers to report on attendance at the meeting and delegated to them the task of examining the proxies and the preliminary consideration of their validity. He also indicated that the Scrutineers will also report 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 attendance at the meeting and declared that a quorum was present. The Chairman then asked that the Scrutineers submit their final report when ready.

## CALL TO ORDER

The Chairman declared the meeting duly constituted and ready to transact business.

## CHAIRMAN'S REMARKS

The Chairman addressed the meeting. He noted that Mr. Zafirovski implemented a strategy to transform the Corporation during 2006. He also noted that a comprehensive plan is in place that is reinventing the Corporation and restoring the day-to-day operating rhythm of its business. The Chairman commented on the management team having made integrity the lifeblood of the Corporation.

The Chairman stated that the Board of Directors has reinforced its commitment to sound corporate governance and adoption of best practices. The Chairman then introduced the following Directors of the Corporation present at the meeting and standing for re-election:

Mrs. Jalynn H. Bennett

Dr. Manfred Bischoff

The Honourable James B. Hunt, Jr., Chair of the Nominating and Governance Committee

Dr. Kristina M. Johnson

Mr. John A. MacNaughton, Chair of the Audit Committee

The Honourable John P. Manley, Chair of the Pension Fund Policy Committee

Mr. Richard D. McCormick, Chair of the Compensation and Human Resources Committee

Mr. Claude Mongeau

Mr. John D. Watson

Mr. Mike S. Zafirovski

The Chairman noted that the Board of Directors is deeply committed to implementing effective financial reporting and internal controls and much has been accomplished in the past year to ensure the Corporation provides consistent, reliable, financial and business information. The Chairman commented on the goal to be world-class in financial accountability and financial transparency.

The Chairman noted that the settlement of the major class action suit this past year was critical to allowing the Corporation to move forward with a clear business focus.

The Chairman thanked the President and Chief Executive Officer, the management team and the employees for their past work and extraordinary efforts during the very challenging times.

## ADDRESS BY THE PRESIDENT AND THE CHIEF EXECUTIVE OFFICER

Mr. Mike Zafirovski, President and Chief Executive Officer of the Corporation, addressed the meeting making reference to a power point presentation and an audio presentation. He recognized the members of his management team and thanked them for their contributions. Mr. Zafirovski highlighted success of the Corporation in customer relationships, reported on the progress of the Corporation in relation to its six point plan and discussed the future of the industry and the opportunities in the market.

Mr. Zafirovski noted that over the past year he had observed definitive and positive change in the Corporation's relationships with its customers. He highlighted the major role the

Corporation will play in the 2010 Vancouver Winter Olympic Games as it will be supplying the critical network infrastructure for the international event.

Mr. Zafirovski then provided an update on the Corporation's progress on various key financial indicators. He noted that, based on preliminary results for the first quarter, revenue had grown 4 percent over last year. He advised that the long-term goal is to achieve a double-digit operating margin. Mr. Zafirovski noted that in the second half of 2006, the Corporation generated U.S. \$528 million in operating cash flow which resulted in a positive cash flow result for the full year of 2006 for the first time in several years.

Mr. Zafirovski then reviewed for the meeting the Corporation's progress on the six point plan that was introduced at the 2006 Annual and Special Meeting of Shareholders of the Corporation. These points include world-class management team culture and process, aggressive focus on the balance sheet, corporate governance and business financial controls, a drive to world-class cost structure and quality levels, target market share, investment for profitable growth and increased emphasis on service and software solutions. He focused on the topic of leadership and highlighted the strength of the commitment of the management of the Corporation. He noted that the Corporation has advanced with its "Lean Six Sigma" program with numerous projects underway to reinvent its processes, improve quality and to make things simpler and more agile. He also advised that the Corporation has created and implemented the "Own It!" program to empower employees, and to enhance their ability to contribute.

Mr. Zafirovski advised that the Corporation's continued focus on the balance sheet corporate governance, and business and financial controls is integral to long-term growth in shareholder value. He advised that with respect to corporate governance, it is management's goal to bring the Corporation to the top quartile in connection with leading governance guidelines.

Mr. Zafirovski noted the commitment to achieve a world class cost structure and quality. He highlighted the business transformation program and the Corporation's overall research and development ("R&D") strategy and noted that the Corporation is committed to aligning its R&D spending to high growth areas. With reference to specific values, he advised that the Corporation will be balancing the R&D spending amongst factors including legacy technologies, current technologies and emerging technologies, with increased spending from what was spent last year on the latter. He noted that the Corporation has partnered with Microsoft and IBM, and that these alliances will speed delivery of communications to businesses of all sizes.

He noted that the simple, goal of the Corporation is to be the pre-eminent services organization in the communication space. He predicted that over the course of 2007 the Corporation will continue to make progress at accelerated levels.

In conclusion, Mr. Zafirovski turned to the topic of hyper-connectivity and described it as the new era of communication in which there is demand for multiple connection, any where and at any time. He noted that the Corporation is uniquely positioned in the environment of hyper-connectivity and will be able to adapt new ways of creating networks with simple design and lower cost. He also advised that the Corporation has the breadth of vision, the experience and the scope of resources needed to deliver on the increasing demand for hyper-connectivity. Mr. Zafirovski then thanked the shareholders for their continuing support.

#### FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Chairman advised that the next item on the agenda was to receive the Corporation's 2006 audited financial statements. He noted that the 2006 annual report to shareholders, including the Corporation's 2006 audited financial statements and auditor's report, were delivered to shareholders in advance of the meeting and that additional copies were available at the registration table. The Chairman introduced Bruce Richmond and Don Newell of Deloitte & Touche LLP. Mr. Richmond and Mr. Newell were made available to answer questions. The Chairman then thanked Deloitte & Touche LLP on behalf of the Corporation for their tremendous service. He noted that Deloitte & Touche helped the Corporation overcome significant challenges to ensure that the Company's Financial reporting was up to date.

The Chairman advised that the Board of Directors has proposed KPMG LLP be appointed as the Corporation's new independent auditors until the next annual meeting of shareholders as described in the Proxy Circular and Proxy Statement. He took a moment to

introduce Peter Doyle and Mike Monteleone of KPMG LLP but requested that shareholders reserve any questions they may have for KPMG LLP until later in the meeting.

The Chairman invited questions from shareholders regarding the 2006 financial statements and auditors' report but no questions were asked.

#### ELECTION OF DIRECTORS

The Chairman advised the meeting that the next item of business was the election of Directors. As determined by the Board of Directors, the number of Directors to be elected was eleven. The Chairman then stated that the Proxy Circular and Proxy Statement contains the names and backgrounds of the individuals to be nominated and asked Ms Anna Ventresca to read the names of the nominees.

Ms Ventresca nominated the following individuals for election as Directors of the Corporation:

Mrs. Jalynn H. Bennett  
Dr. Manfred Bischoff  
The Honourable James B. Hunt, Jr.  
Dr. Kristina M. Johnson  
Mr. John A. MacNaughton  
The Honourable John P. 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. Ms Tracy Connelly McGilley moved to elect the nominees as Directors of the Corporation to hold office in accordance with the Corporation's by-laws until the next meeting of shareholders and Ms Samantha Vaccaro 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 also noted that withholding a vote for a nominee will have the same effect as voting against that nominee.

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 proxyholders when they registered prior to the meeting. He instructed the meeting on the requirements for the completion of the ballots and reminded proxyholders 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 the independent auditors of the Corporation. He noted that as described in the Proxy Circular and Proxy Statement that the Board of Directors are proposing that KPMG LLP be appointed as the Corporation's new independent auditors until the next annual meeting of shareholders. He also noted that, as this represents a change from the Corporation's historical auditors, the Proxy Circular and Proxy Statement contains information and required disclosures relating to the Corporation's reasons for proposing this change. The Chairman advised that if KPMG LLP's appointment as auditor was approved by the Corporation's shareholders, KPMG LLP would also be appointed as Nortel Network Limited's independent auditors for the 2007 fiscal year. Representatives of Deloitte & Touche LLP and KPMG LLP were made available for questions but no questions were asked.

Mr. Paul Karr moved that KPMG 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 requested a vote by show of hands be taken on the appointment of KPMG LLP as the independent auditors and following the vote, the Chairman declared the motion carried and that KPMG LLP was appointed as the Corporation's independent auditors to hold office until the next annual shareholders' meeting.

#### SHAREHOLDER PROPOSAL: PAY-FOR-SUPERIOR PERFORMANCE

The Chairman stated that the next item of business was the shareholder proposal submitted by Carpenter's Local 27 Benefit Trust Funds and as set forth in Schedule "A" to the Proxy Circular and Proxy Statement, which requests that the Board of Directors' executive compensation committee establish a pay-for-superior performance standard in the Corporation's executive compensation plan for senior executives. The Chairman noted that, to be approved, the shareholder proposal must be approved by a majority of votes cast at the meeting.

The Chairman briefly described the approach taken by the Corporation with respect to executive compensation. Firstly, he noted that total compensation and each component part is benchmarked against a carefully selected group of competitor companies which the Corporation competes for executive talent. Secondly, with respect to the Corporation's annual bonus program, he noted that financial metrics related to company performance are set at the beginning of the year. He commented that performance of the company is measured at the end of the year and, together with individual performance, determines whether or not there will be a payout. Thirdly, he noted that the Corporation's strategy for long-term incentive compensation is to increasingly emphasize performance-based awards. Finally, he noted that the methods used to award performance-based compensation in 2006 are described in the Proxy Circular and Proxy Statement. He advised that the Corporation intends in each proxy to describe the degree to which actual performance has impacted performance-based compensation programs, subject to ensuring that competitive information is protected in accordance with applicable law.

The Chairman introduced Mr. Joseph McMahon representing Carpenters' Local 27 Benefit Trust Fund who moved to approve the shareholder proposal and Mr. Franklin DaSilva seconded the motion. Mr. McMahon spoke to the reasons and timeliness of the shareholder proposal and urged shareholders to vote in its favour. The Chairman noted that for the reasons discussed and as outlined in the Proxy Circular and Proxy Statement, the Board of Directors and management recommended that shareholders vote against the shareholder proposal.

The Chairman then opened the floor to questions from shareholders, several of whom provided their respective reasons for supporting the shareholder proposal. The Chairman thanked each shareholder for his or her comments and responded by providing further details as to the Corporation's approach to executive compensation. The Chairman then instructed shareholders and proxyholders to vote by ballot and after completion of the voting declared the voting closed.

#### SHAREHOLDER QUESTION AND COMMENT PERIOD

The Chairman declared the meeting open for questions and comments. There was a question regarding what role government contracts play in the Corporation's marketing strategy. Mr. Zafirovski responded by noting that, while government contracts have not traditionally been a major area of focus for the Corporation, with the acquisition of Nortel Government Solutions Incorporated the Corporation is making progress in this area and expect to continue to make progress in the future, including in areas such as healthcare and financial services.

A question was raised about the awarding of executive bonuses by the Corporation in prior years, the taxation of such bonuses and the inclusion of such bonuses in pension calculations. Mr. Zafirovski and the Chairman responded by noting that the bonuses had been voluntarily paid back by certain individuals and that the matter has been dealt with. Mr. Zafirovski also noted that the bonus program has subsequently changed.

A general concern was raised by a shareholder regarding the current restatement of previously issued financial statements and, in particular, pension items. Mr. Zafirovski responded that the measures taken by the financial organization resulted in the elimination of the all material weaknesses except one and invited Mr. Karr to comment on this question. Mr. Karr

noted that errors were made by several different actuarial firms over a period of years and that measures have been put in place to monitor actuaries going forward.

A shareholder asked if the Corporation complies with the Sarbanes-Oxley principles and was advised in the affirmative. The shareholder then asked whether the terms of the Corporation's stock options, and in particular the exercise price, could be changed arbitrarily. He was advised by Mr. Zafirovski and the Chairman that they could not be changed arbitrarily.

A question was asked about the Corporation's commitment to protecting the environment. Mr. Zafirovski responded that the Corporation has an active environmental program and is committed to recovery, redeployment recycling and reduction.

A shareholder asked in what areas is the Corporation not receiving the credit it deserves in the market in terms of revenue opportunities. Mr. Zafirovski advised that the first area is with respect to financial growth, the second area is service and the third area is future directions in technology.

A question was asked about what measures the Corporation was taking to safeguard its intellectual property ("IP") in light of its alliances with competitors, for example IBM. Mr. Zafirovski commented on the challenges above and beyond IP protection to make sure there is openness and noted that the combination of the relationships with IBM and Microsoft provide an attractive alternative for businesses, universities and governments globally. He also advised that a sharing of IP agreement has been signed.

A shareholder asked about the class action litigation and whether the Corporation was planning to address current employees and former employees of the Corporation who hold shares but cannot have them recognized by the Garden City Group, Inc. The Secretary noted that the terms of the class action settlement were specifically negotiated and driven by the discussions with the plaintiffs and that the Corporation would respect the terms of the settlement. The Chairman advised that the Corporation would be happy to meet with this shareholder after the meeting to discuss further.

A shareholder asked about whether the Corporation is committed to remaining a Canadian company and whether it is a priority of the Corporation to retain its head office and management in Canada. Mr. Zafirovski advised that the Corporation is committed to Canada.

There was a final question regarding the number of scientists, engineers or physicists that currently sit on the Board of Directors and the Chairman advised that Dr. Kristina M. Johnson, who was recruited over the past year, has a technological background. He also noted that there are many diverse members of the Board of Directors with various areas of expertise.

## SCRUTINEERS' REPORTS

### Attendance at Meeting

The Chairman reviewed the Scrutineers' final report on attendance at the meeting. He advised that the report certified 64 registered shareholders and proxyholders were present in person at the meeting holding 249,394 shares and that 9,809 shareholders were represented by proxies holding 269,992,956 shares. The total number of shares represented in person and by proxy at the meeting was 270,242,350 representing 62.28 percent 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 eleven individuals nominated for election as Directors. He reported that the votes in favour of each of the eleven Directors exceeded 96 percent of the shares voted. The Chairman adopted the Scrutineers' report and asked that it be filed with the records of the meeting. The Chairman declared the eleven nominees elected as Directors of the Corporation, to hold office in accordance with the Corporation's bylaws until the next annual meeting of shareholders.

## Shareholder Proposal

The Chairman reviewed the Scrutineers' report on the votes by ballot on the motion on the shareholder proposal set forth in Schedule "A" to the Proxy Circular and Proxy Statement. He reported the percentage of shares voted in favour of, against and withheld from voting on each proposal for the shareholder proposal: 38.44 percent of shares were voted in favour; 61.24 percent against; and 0.32 percent 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 motion on the shareholder proposal was 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 for the meeting and their interest in the affairs of the Corporation. Ms Kate Stevenson 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