

relationships (highest priority) and revenue generation with ramp-up time for future opportunities. This is a longer-term approach and philosophy that will help us achieve leadership.

**5. Invest for profitable growth** - Growth to a vibrant business is the equivalent of water and oxygen to plants. You grow or you extinguish. We have and will continue to invest for growth, but with significantly higher rigor and expectations. Our R&D spend (\$1.9B) as a percentage of revenues is substantial but under-leveraged as a result of spotty New Product Introduction and development practices. Our investment levels (and capabilities) in go-to-market activities, effective partnering, and brand building have been below market-leading standards.

We are setting aggressive targets and roadmaps, including adoption of proven best practices, to create more customer value and higher internal returns for our growth investments.

**6. Increase emphasis on service and software solutions** - We have a stretch goal of doubling our revenue mix in this area. We recognize the fundamental shift taking place in the industry and are making investments in the growth areas of our Services business, including

Integration, Optimization, Security, Managed and Maintenance services and applications.

By taking the above steps, we are building the long-term foundation for the new Nortel. Of course, this won't happen overnight. But I'm pleased with the progress that we've made in the past five months in each of these six areas.

There is a growing sense of confidence in the company that we are making the right decisions for the right reasons and that performance will follow. This isn't about easy fixes or miracle quarters of performance. Rather, it's a journey we are very excited to embark on. It's a journey that we will pursue with passion, ingenuity, determination and persistence unrivaled by our competitors.



Mike Zafirovski  
President and CEO, Nortel

## Nortel Leadership Values with Attributes

### Chart a Winning Course

- Create a simple, customer-oriented vision worth achieving
- Know their people, customers and markets
- Devise a strategy playing to Nortel's strengths
- Follow through with measurable objectives and plans
- Celebrate wins and reward performance

### Are Decisive

- Make timely decisions and commit
- Have the courage to make tough decisions
- Are self-disciplined and focused on the end goal
- Face reality and act accordingly

### Inspire Others

- Create an atmosphere that excites all stakeholders
- Bring energy and forceful optimism in executing priorities
- Foster a performance-driven culture
- Are self-confident
- Act as a visible catalyst in driving our vision

### Meet Commitments

- Consistently deliver superior results
- Keep their word
- Visibly lead by example
- Simplify
- Communicate progress and encourage candid feedback

### Live the Core Values

- Exude and command integrity
- Feel accountable for Nortel's success
- Create customer value
- Build strong, diverse teams and develop people
- Are innovative and are open to ideas from anywhere
- Expect urgency without forsaking quality

### Act as One

- Exemplify "Nortel First"
  - One Vision, One Purpose, One Goal
- Harness the power of passionate teamwork
- Are ambassadors who represent one Nortel
- Intolerant of bureaucracy and complexity
- Embrace a global culture strengthened by collaboration and inclusion