



Delivering the Future of Enterprise Communications

Mike Zafirovski
President and CEO, Nortel
Orlando, March 6, 2007



Our Commitment



- **Recreating a great company**
- **Commitment to innovation**
- **Executing on Business Made Simple**

Nortel's History of Innovation



VoIP to Unified Communications

Wireless to WiMAX



Wireline to Wireless

Copper to Fiber

Analog to Digital



Nortel's Roadmap

6-point Plan for Transformation

- 1 World-class management team, culture and processes
- 2 Aggressive focus on the balance sheet, corporate governance and business/financial controls
- 3 Drive to world-class cost structure and quality levels
- 4 Target 20% share for all key activities
- 5 Invest for profitable growth
- 6 Increased emphasis on service and software solutions

The "who" first

Culture of
Excellence /
Execution

Decisive Focus;
Capacity to
Reinvent;
Leadership

Our Plan: Clear Focus, Decisive Action



**Revenue
Growth**

**Operating
Margin**

**Operating
Cash Flow**

Strong 2H 2006 Momentum

Building Momentum by Creating Value





Decisive Actions to Reposition Nortel

- Formed Metro Ethernet Division
- Created Service Business
- Divested non-core businesses to fund the future
- Commitment to 4G
- Significant investment in Enterprise

Nortel Global Leadership



- #1 Messaging Applications
- #1 Enterprise Telephony Lines
- #2 IP Business Telephony
- #2 Contact Centers
- #1 Carrier VoIP
- #1 WAN
- #2 Carrier-grade Optical
- #2 CDMA



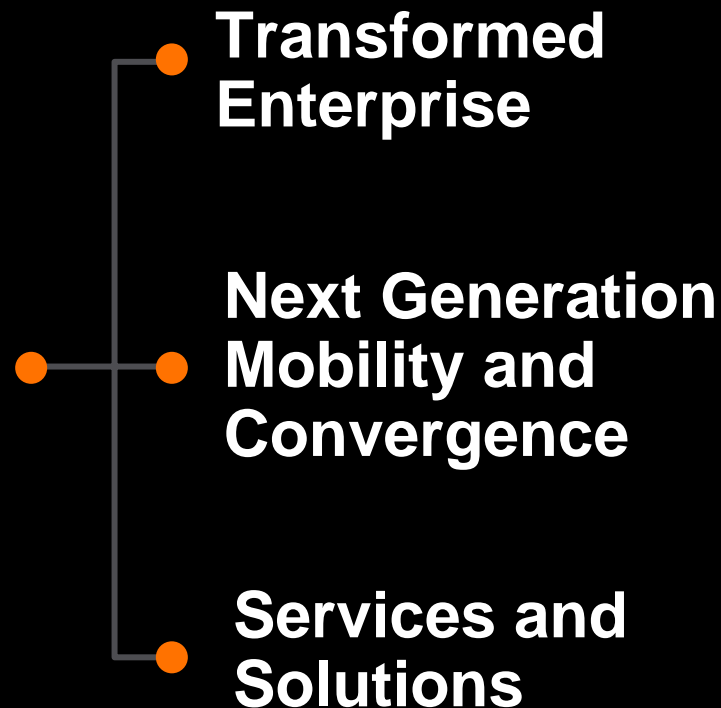


Investing for Growth

Mapping Our Strengths to High-Growth Segments

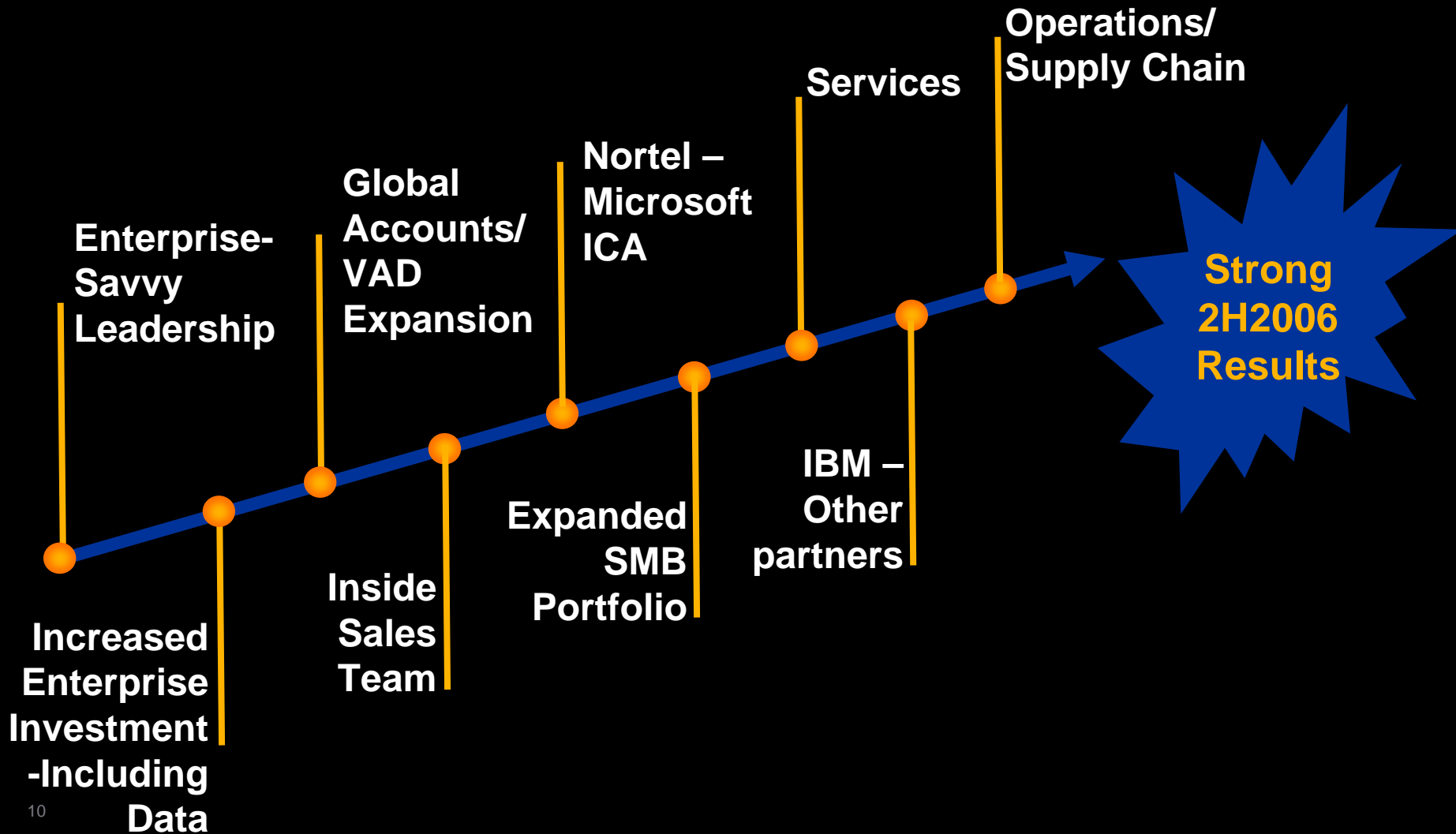
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Investing for Enterprise Growth



Accelerating UC Adoption



NORTEL *Microsoft*

INNOVATIVE COMMUNICATIONS ALLIANCE



Accelerate transition path to UC with reduced costs

Simplify communication, collaboration across boundaries

Deliver combination of Nortel QoS with MS software

Extend benefits to mobile users, contact centers, branches

Ease UC migration with end to end converged services

R&D

Go-to-Market

Services



The ICA is Unique

Microsoft Global Partnership	NORTEL
Formalized Alliance for UC	✓
Joint Road Map for UC	✓
Integrated solutions from Applications to Data Infrastructure	✓
Joint Collaboration centers	✓

The ICA Delivers



• Available Today

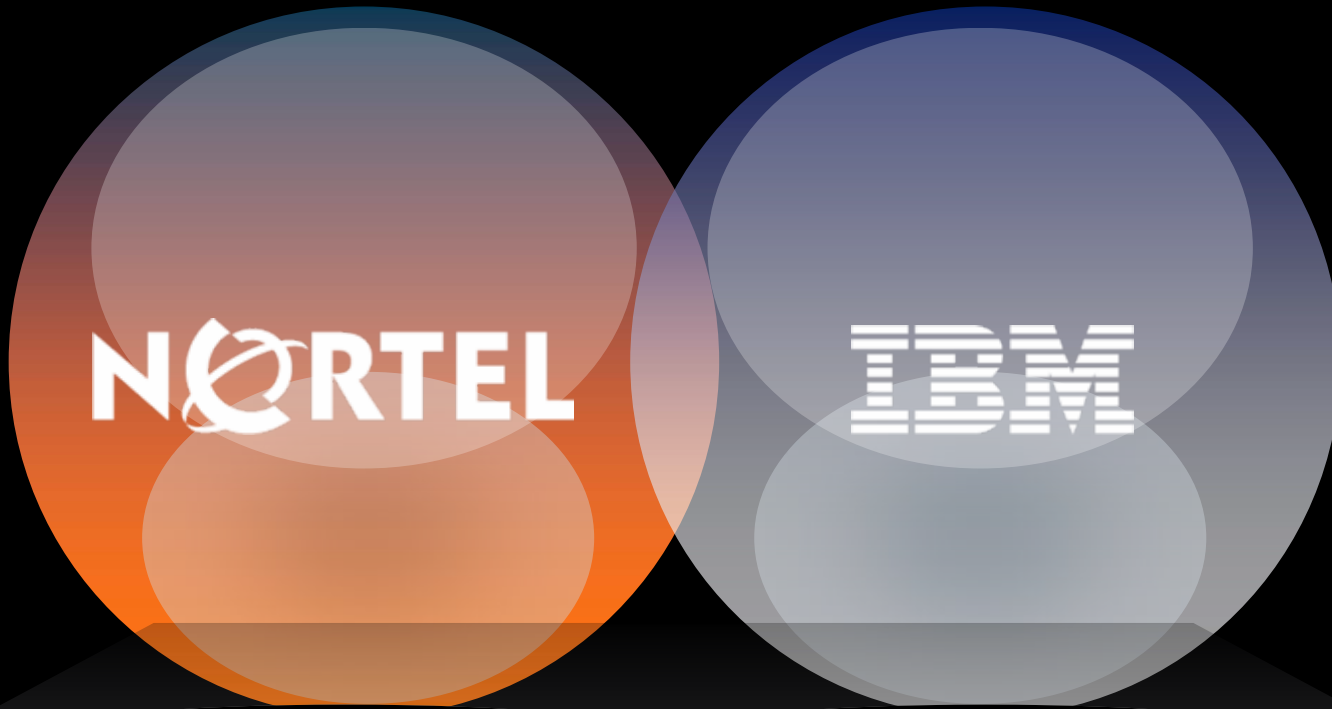
- Converged Office

• Available in 2007

- SIP interoperability for Exchange 2007 UM and Nortel CS1000
- Integration of Nortel MM conferencing and MSFT OCS 2007
- Unified Communications Branch Gateway

20 Demonstration Centers Today
100 More by end of 2007

Partners in Innovation



Nortel & IBM

Innovation in Action



Feb 2003

*Advanced
Network
Switching for
Data Centers*

Feb 2005

*Joint IMS
Solutions*

Feb 2006

*IMS SIP-
Enabled
Solutions*

Feb 2007

*IMS/SOA
enhancements;
Richardson, TX
Lab*

Sept 2003

*IBM eServer
BladeCenter with
Gigabit Ethernet
LAN Switch*

May 2005

*Joint
Development
Center –
RTP, NC*

Jan 2007

*MCS with
Lotus Notes*

2H 2007

Stay Tuned



Transformed Enterprise



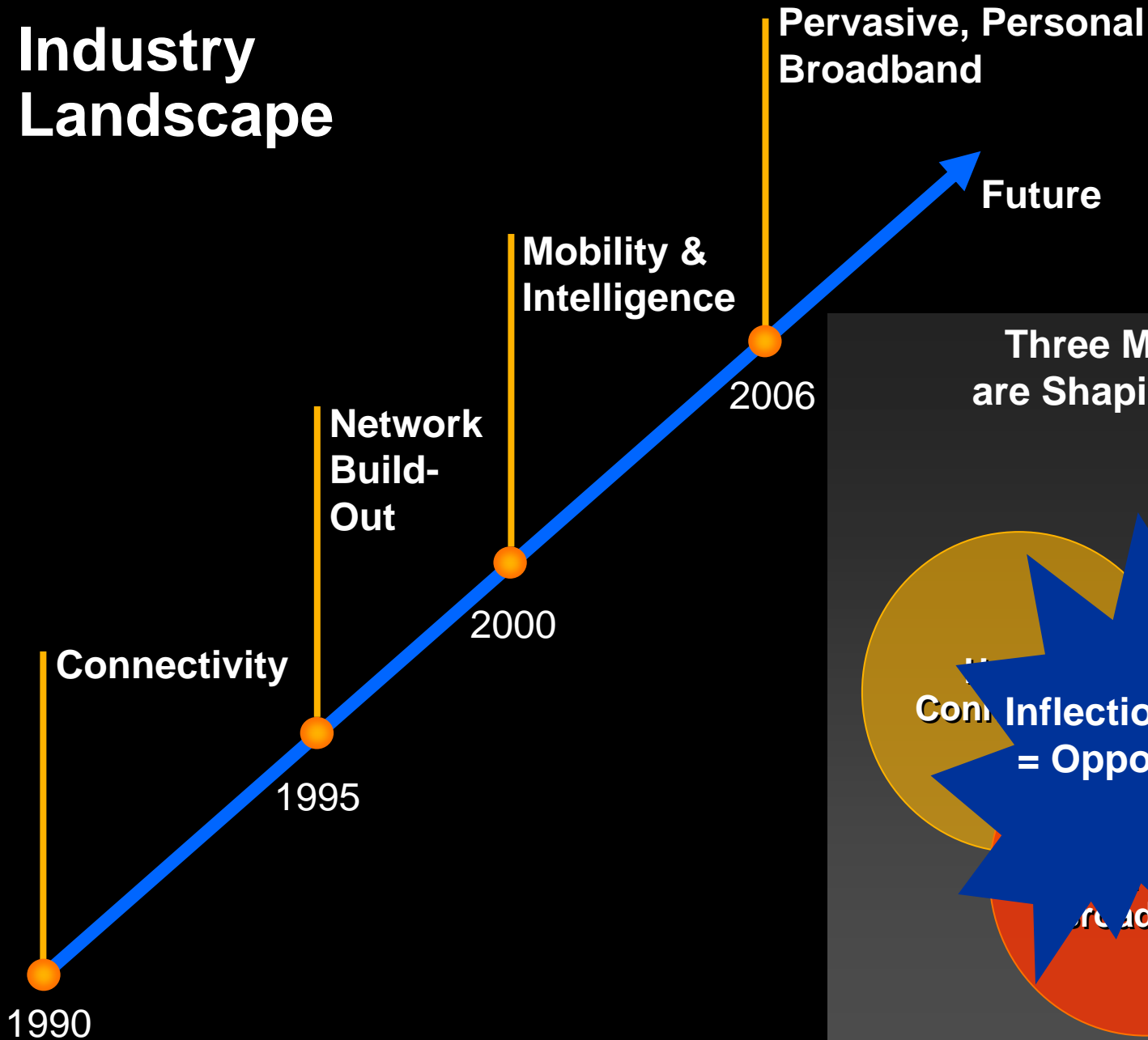
Creating the Future Today

John Roese
Chief Technology Officer
Orlando, March 6, 2007

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Industry Landscape



Three Mega-Trends are Shaping the Future



Going on the Offense to Seize Opportunity

Nortel CEO: 3G Can't Cut It
Light Reading, Feb 15, 2007

He's Here, He's There, He's Everywhere
John Roese ... is everywhere these days...
Mark Evans "All Nortel, All the Time" Blog,
November 22, 2006

Nortel: Why Cisco Should be Worried
Jim Duffy, Network World, December 15
the opportunity
Shane Schick, ITBusiness, December 21, 2006

Nortel to Win
'Get on with it'
Silicon.com, December 4

Nortel Networks Corporation:
"We are picking a fight"
Duncan Stewart, Orion Securities,
November 22, 2006

O: We're an US\$11bn start-up
com, December 4

Nortel, Microsoft Sketch Unified Communications Road Map
Stacy Cowley, CRN, January 17, 2007

Nor
col
Win

LG-Nortel Making a Shape of the Global Enterprise
The Electronic Times (Korea), November 3

Nortel back in favor at BT
Business Review, January 16, 2007

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Leapfrogging to Next Generation




Industry Status Quo

Industry Battles

NORTEL  **2G/3G**
Good for voice
Adequate for data
Bad for video

4G
(True Broadband)
WiMAX, LTE, Rev C/UMB, Mob Vid

NORTEL  **MPLS**
Fine when used
In moderation

Carrier Ethernet/PBT
(Scalable, Simple,
Inexpensive)
PBT, PBB, eDCO, 40G

NORTEL  **Legacy
VoIP**
One
dimensional

**Unified
Communications**
(Enabling, Transparent)
**Web Services, SOA, Intelligent
Infrastructure**

Unified Communications



U/C Today

U/C Tomorrow

“Pervasive, Personal Broadband”

Interface

- PC phone
- Integrated voice mail
- One client/multiple services

- Mobile devices
- Real-time comms in non-communication applications
- Multi-modal experience

Context

- PC identity = U/C identity
- Basic location & presence
- Desktop integration

- One identity, any device, any client
- True location/presence/proximity
- Workflow integration

Services

- “Follow-me”
- “Click to connect”
- IP call centers

- “Interact with me”
- “Click to collaborate”
- Everyone is call center agent

Environment

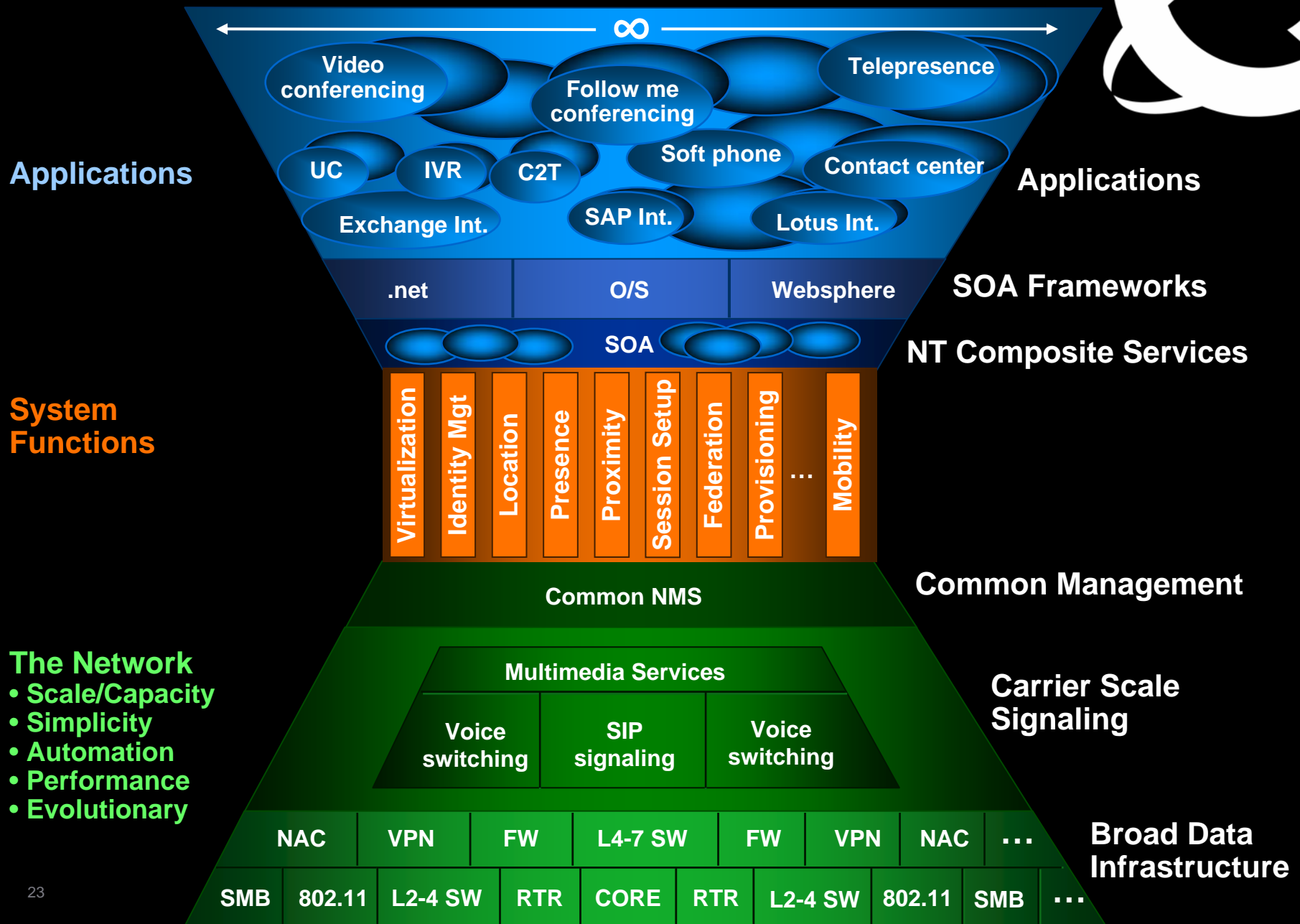
- Within Enterprise
- On IP telephony system
- For the “privileged few”

- Extended enterprise (home networking, WiMAX, LTE, UMB)
- In every application
- For all – in/out of Enterprise

2+ communications methods, 1 interface

Reinvention of Enterprise Communications Experience

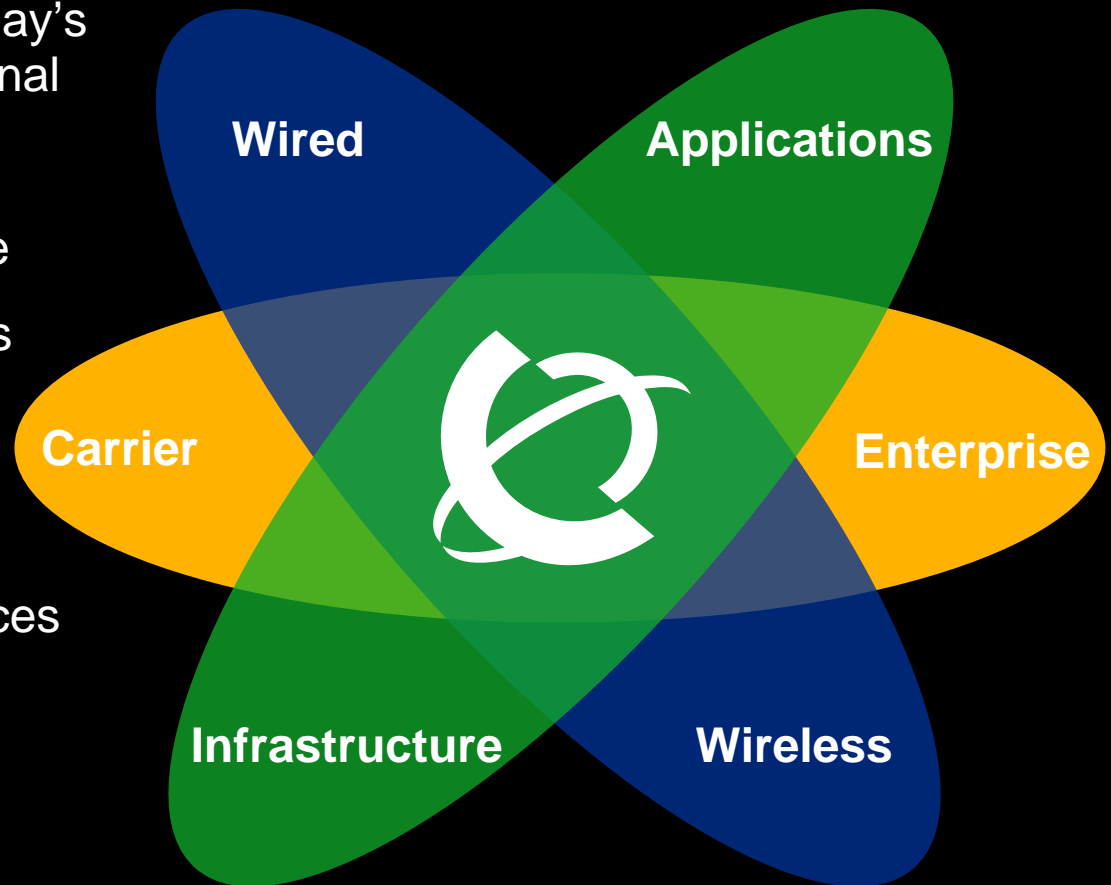
Nortel's Enterprise Architectural Framework



Nortel's Synergy Strategy

• Synergy matters because today's challenges are multi-dimensional

- Multimodal phones
- Fixed-mobile convergence
- Real-time communications handoff
- True Presence
- Extension of Enterprise application to mobile devices
- Carrier-grade enterprise mobility



“Business Made Simple”

Our Commitment to You



- Deliver Open & Simple Solutions for SOA
- Create Business Efficiency with Unified Communications
- Bring Carrier Excellence to Large Enterprise
- Deliver Flexibility of Service – Hosted, Managed, CPE
- Make Business with Nortel Simple



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