

# News Release



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**FOR IMMEDIATE RELEASE**

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## **Nortel Announces Plans to Sell its GSM/GSM-R Business**

- **Sale of business is best path forward for the future of Nortel's GSM/GSM-R customers and employees**
- **Sale process provides a timeline to sell substantially all assets within the GSM/GSM-R business globally**

TORONTO – Nortel\* Networks Corporation [OTC: NRTLQ] today announced that it, its principal operating subsidiary Nortel Networks Limited (NNL) and certain of its other subsidiaries, including Nortel Networks Inc., Nortel Networks UK Limited and Nortel Networks SA (NNSA), plan to sell by “open auction” substantially all of its global GSM/GSM-R business. In connection with this proposed sale, NNL also expects to transfer specified patents predominantly used in the GSM business and grant non-exclusive licenses of other relevant patents.

Nortel has filed a motion seeking the establishment of a Section 363 sale procedure with the United States Bankruptcy Court for the District of Delaware that will allow qualified bidders to submit offers for the GSM/GSM-R business. A similar motion for the approval of the sale procedure will be filed with the Ontario Superior Court of Justice.

“The proposed sale process will provide a timeline for identifying the successful bidder for our valuable GSM/GSM-R assets,” said Pavi Binning, Chief Restructuring Officer, Nortel. “The process is expected to result in a formal agreement with a buyer. We have seen interest in this business during extensive initial discussions.”

GSM (Global System for Mobile communications) is the most popular wireless technology standard for mobile phones in the world. Nortel is a leading supplier of GSM networks and has worked with operators worldwide on implementing the GSM family of access technologies including GSM/GPRS/EDGE. Also based on GSM technology is GSM-R (GSM for Railways) which provides a secure communications system for railways operators. Nortel has more than 15 years experience with this technology and is the number one GSM-R provider globally.

“This sale process will provide customers with a path forward for the future of their networks and offers us a mechanism to finalize a buyer in a timely and orderly fashion,” said Graham Richardson, GM for the GSM/GSM-R business, Nortel. “This approach will enable the industry to continue to benefit from Nortel-created technology, our highly-skilled employee base, our know-how and leading-edge innovation.”

“We remain committed to serving our customers without interruption through this process. As we move forward we will communicate our progress to the greatest extent possible.” added Richardson.

Nortel has worked with more than 100 operators in over 65 countries to implement cost-effective, high-performance GSM/GPRS/EDGE networks. Built on Nortel's GSM access and core network solutions, the networks are characterized by near-wireline voice quality, unparalleled security, unequalled radio performance, high-availability and leading-edge wireless voice and data capabilities. Nortel recently introduced Nortel Smart Power Management (SPM) software, a feature which, when, combined with other

enhancements made to Nortel's GSM technology, make today's Nortel GSM portfolio up to 50% more energy efficient than it was five years ago.

### Details of Sale Process

Subject to approval of the bidding procedures filed with the U.S. and Canadian courts, qualified bidders will be required to submit offers for the GSM/GSM-R business by November 5, 2009, subject to any permitted extensions. Competing qualified bids are then expected to proceed to an "open auction", which, under the proposed bidding procedures, is scheduled for November 9, 2009. Any final sale agreement would be subject to approval by the U.S. and Canadian courts.

In relation to the EMEA entities to which they are appointed, the UK Joint Administrators have the authority, without further court approval, to enter into an EMEA asset sale agreement on behalf of those relevant Nortel entities. The sale of any GSM/GSM-R assets currently held by NNSA, a French subsidiary, will be subject to the approval of the French Court. In some EMEA jurisdictions, any transaction is subject to information and consultation with employee representatives prior to finalization of the terms of sale.

Completion of any transaction will also be subject to receipt of all regulatory approvals and satisfaction of customary closing conditions.

### Creditor Protection Proceedings, Share Value

As previously announced, Nortel Networks Corporation does not expect that its common shareholders or the preferred shareholders of NNL will receive any value from the creditor protection proceedings and expects that the proceedings will result in the cancellation of these equity interests.

### About Nortel

Nortel delivers communications capabilities that make the promise of Business Made Simple a reality for our customers. Our next-generation technologies, for both service provider and enterprise networks, support multimedia and business-critical applications. Nortel's technologies are designed to help eliminate today's barriers to efficiency, speed and performance by simplifying networks and connecting people to the information they need, when they need it. For more information, visit Nortel on the Web at [www.nortel.com](http://www.nortel.com). For the latest Nortel news, visit [www.nortel.com/news](http://www.nortel.com/news).

*Certain statements in this press release may contain words such as "could", "expects", "may", "should", "will", "anticipates", "believes", "intends", "estimates", "targets", "plans", "envision", "seeks" and other similar language and are considered forward-looking statements or information under applicable securities laws. These statements are based on Nortel's current expectations, estimates, forecasts and projections about the operating environment, economies and markets in which Nortel operates. These statements are subject to important assumptions, risks and uncertainties that are difficult to predict, and the actual outcome may be materially different. Nortel's assumptions, although considered reasonable by Nortel at the date of this press release, may prove to be inaccurate and consequently Nortel's actual results could differ materially from the expectations set out herein.*

*Actual results or events could differ materially from those contemplated in forward-looking statements as a result of the following: (i) risks and uncertainties relating to Nortel's Creditor Protection Proceedings including: (a) risks associated with Nortel's ability to: stabilize the business and maximize the value of Nortel's businesses; obtain required approvals and successfully consummate pending and future divestitures; successfully conclude ongoing discussions for the sale of Nortel's other assets or businesses; develop, obtain required approvals for, and implement a court approved plan; resolve ongoing issues with creditors and other third parties whose interests may differ from Nortel's; generate cash from operations and maintain adequate cash on hand in each of its jurisdictions to fund operations within the jurisdiction during the Creditor Protection Proceedings; access the EDC Facility given the current discretionary nature of the facility, or arrange for alternative funding; if necessary, arrange for sufficient debtor-in-possession or other financing; continue to have cash management arrangements and obtain any further required approvals from the Canadian Monitor, the U.K. Joint Administrators, the French Administrator, the Israeli Joint Administrators, the U.S. Creditors' Committee, or other third parties; raise capital to satisfy claims, including Nortel's ability to sell assets to satisfy claims against us; maintain R&D investments; realize full or fair value for any assets or business that are divested; utilize net operating loss carryforwards and certain other tax attributes in the future; avoid the substantive consolidation of NNI's assets and liabilities with those of one or more other U.S. Debtors; attract and retain customers or avoid reduction in, or delay or suspension of, customer orders as a result of the uncertainty caused by the Creditor Protection Proceedings; maintain market share, as competitors move to capitalize on customer concerns; operate Nortel's business effectively under the new organizational structure, and in consultation with the Canadian Monitor the U.S. Creditors' Committee and a proposed U.S. Officer, and work effectively with the U.K. Joint Administrators, French Administrator and Israeli Joint Administrators in their respective administration of the EMEA businesses subject to the Creditor Protection Proceedings; continue as a going concern; actively and adequately communicate on and respond to events, media and rumors associated with the Creditor Protection Proceedings that could adversely affect Nortel's relationships with customers, suppliers, partners and employees; retain and incentivize key employees and attract new employees, as may be needed; successfully implement Nortel's new organizational structure to most effectively continue with the sales of Nortel's businesses and complete integration processes with acquiring companies and continue with Nortel's restructuring activities; retain, or if necessary, replace major suppliers on acceptable terms and avoid disruptions in Nortel's supply chain; maintain current relationships with reseller partners, joint venture partners and strategic alliance partners; obtain court orders or approvals with respect to motions filed from time to time; resolve claims made against Nortel in connection with the Creditor Protection Proceedings for amounts not exceeding Nortel's recorded liabilities subject to compromise; prevent third parties from obtaining court orders or approvals that are contrary to Nortel's interests; reject, repudiate or terminate contracts; and (b) risks and uncertainties associated with: limitations on actions against any Debtor during the Creditor Protection Proceedings; the values, if any, that will be prescribed pursuant to any court approved plan to outstanding Nortel securities and, in particular, that Nortel does not expect that any value will be prescribed to the NNC common shares or the NNL preferred shares in any such plan; the delisting of NNC common shares from the NYSE; and the delisting of NNC common shares and NNL preferred shares from the TSX; and (ii) risks and uncertainties relating to Nortel's business including: the sustained economic downturn and volatile market conditions and resulting negative impact on Nortel's business, results of operations and financial position and its ability to accurately forecast its results and cash position; cautious capital spending by customers as a result of factors including current economic uncertainties; fluctuations in foreign currency exchange rates; any requirement to make larger contributions to defined benefit plans in the future; a high level of debt, arduous or restrictive terms and conditions related to accessing certain sources of funding; the sufficiency of workforce and cost reduction initiatives; any negative developments associated with Nortel's suppliers and contract manufacturers including Nortel's reliance on certain suppliers for key optical networking solutions components and on one supplier for most of its manufacturing and design functions; potential penalties, damages or cancelled customer contracts from failure to meet contractual obligations including delivery and installation deadlines and any defects or errors in Nortel's current or*

*planned products; significant competition, competitive pricing practices, industry consolidation, rapidly changing technologies, evolving industry standards, frequent new product introductions and short product life cycles, and other trends and industry characteristics affecting the telecommunications industry; any material, adverse affects on Nortel's performance if its expectations regarding market demand for particular products prove to be wrong; potential higher operational and financial risks associated with Nortel's international operations; a failure to protect Nortel's intellectual property rights; any adverse legal judgments, fines, penalties or settlements related to any significant pending or future litigation actions; failure to maintain integrity of Nortel's information systems; changes in regulation of the Internet or other regulatory changes; and Nortel's potential inability to maintain an effective risk management strategy.*

*For additional information with respect to certain of these and other factors, see Nortel's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009 and Annual Report on Form 10-K for the year ended December 31, 2008 and other securities filings with the United States Securities and Exchange Commission. Unless otherwise required by applicable securities laws, Nortel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

*For the Companies listed below, The Institute of Chartered Accountants in England and Wales authorises A R Bloom, S Harris and C Hill to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986 and the Association of Chartered Certified Accountants authorises A M Hudson to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986.*

*The affairs, business and property of the Companies are being managed by the Joint Administrators, A R Bloom, S Harris, AM Hudson and C Hill who act as agents of the Companies only and without personal liability.*

*The affairs, business and property of Nortel Networks (Ireland) Limited are being managed by the Joint Administrators, A R Bloom and D Hughes, who act as agents of Nortel Networks (Ireland) Limited only and without personal liability.*

*The Companies are Nortel Networks UK Limited; Nortel Networks SA; Nortel GmbH; Nortel Networks France SAS; Nortel Networks NV; Nortel Networks SpA; Nortel Networks BV; Nortel Networks Polska SP Zoo; Nortel Networks Hispania SA; Nortel Networks (Austria) GmbH; Nortel Networks sro; Nortel Networks Engineering Service Kft; Nortel Networks Portugal SA; Nortel Networks Slovensko sro; Nortel Networks Oy; Nortel Networks Romania SRL; Nortel Networks AB; Nortel Networks International Finance & Holding BV.*

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