



News Release

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Nortel and Microsoft CEOs Outline Transformation of Business Communications *Ballmer, Zafirovski share joint road map for voice over Internet protocol and unified communications solutions*

NEW YORK — Today, Microsoft Corp. CEO Steve Ballmer and Nortel* CEO and President Mike Zafirovski announced a joint road map to deliver their shared vision for unified communications. The road map is the result of an alliance between Microsoft and Nortel announced in July 2006, and includes three new joint solutions to dramatically improve business communications by breaking down the barriers between voice, e-mail, instant messaging, multimedia conferencing and other forms of communication.

Speaking at an event at Studio 8H in Rockefeller Center to more than 100 customers along with reporters and analysts, Ballmer and Zafirovski outlined how companies can improve employee productivity and effectiveness and reduce the costs and complexity of communications. They also announced 11 new implementation services from Nortel and the opening of more than 20 joint demonstration centers where customers can experience the technology firsthand.

In just six months since the alliance was formed, the two companies have signed agreements with dozens of customers, and have developed a pipeline of hundreds of prospects who want to realize the benefits of unified communications.

“We are executing forcefully on the vision of this alliance and have made tremendous progress,” Zafirovski said. “We completed the planning stages and are now delivering unified communications solutions to businesses around the world. Our goal is to close the gap between the devices we use to communicate and the business applications we use to run our businesses, giving employees the power to use information more quickly and effectively.”

“The average employee gets more than 50 messages every day¹ on up to seven different devices or applications,” Ballmer added. “Software can and will help address the ongoing challenge of managing communications and this challenge is the driving idea behind our alliance with Nortel. Together, we will evolve VoIP and unified communications to integrate all the ways we contact each other in a simple environment, using a single identity across phones, PCs and other devices.”

New Solutions to Improve Communications and Collaboration

Microsoft and Nortel formed the Innovative Communications Alliance to help companies transform business communications by speeding up the transition to voice over Internet protocol (VOIP) and unified

communications. Delivering on the vision they outlined in July, Microsoft and Nortel today introduced three new solutions:

- **UC Integrated Branch.** This new product from the alliance will incorporate Nortel and Microsoft® technology on a single piece of hardware that delivers cost-effective, high-quality and easy-to-deploy VoIP and unified communications in remote offices. The UC Integrated Branch is planned to be available in the fourth quarter of 2007.
- **Unified Messaging.** To simplify customer deployments, native session initiation protocol (SIP) interoperability between the Nortel Communication Server 1000 and Microsoft Exchange Server 2007 Unified Messaging is planned to be available in the second quarter of 2007. The solution includes Nortel professional services for design, deployment and support.
- **Conferencing.** This new solution will extend the rich feature set of Nortel Multimedia Conferencing to Microsoft Office Communicator 2007, delivering a single, familiar client experience consistent across applications such as voice, instant messaging, presence, and audio- and videoconferencing. The on-premise solution is planned to be available in the fourth quarter of 2007.

In 2007, the companies also plan to extend their current unified communications solution — a unified desktop and soft phone for VoIP, e-mail, instant messaging and presence — to the Nortel Communication Server 2100, a carrier-grade enterprise telephony product supporting up to 200,000 users on a single system.

In addition, Nortel and Microsoft presented a road map for 2008 and beyond for moving business communications onto a software platform designed to drive a higher-quality user experience and reduce total cost of ownership. The road map outlines several key applications and technology developments including a unified communications contact center, Nortel feature server, expanded hosted UC solutions, mobility and client solutions, and application-aware networking enhancements.

“Innovative communications and collaboration technologies are critical to fully enabling Royal Dutch Shell’s global work force, and key to operating at top quartile in our industry. We believe in and support the vision Nortel and Microsoft have outlined,” said Johan Krebbers, group IT architect at Royal Dutch Shell, who joined Ballmer and Zafirovski onstage for today’s event. “Over the next several years, we plan to migrate our network to a software-based communications system built on technologies represented by the Nortel and Microsoft alliance.”

Experiencing VoIP and Unified Communications Solutions

The companies announced that they have equipped more than 20 joint demonstration centers in North America, Europe and Asia, with more than 100 additional centers scheduled to open by midyear.

In a related announcement, Nortel added 11 core integration services to help customers build, deploy and support joint unified communications solutions, including end-to-end project management. Nortel already has more than 2,200 VoIP experts to deliver these services and will add more as deployment ramps up. This group is supported by the 10,000-strong Nortel global services team and a large ecosystem of services partners.

About Nortel

Nortel is a recognized leader in delivering communications capabilities that enhance the human experience, ignite and power global commerce, and secure and protect the world’s most critical information. Our next-generation technologies, for both service providers and enterprises, span access and core networks, support multimedia and business-critical applications, and help eliminate today’s barriers to efficiency, speed and performance by simplifying networks and connecting people with information. Nortel does business in more than 150 countries. For more information, visit Nortel on the Web at www.nortel.com. For the latest Nortel news, visit www.nortel.com/news.

About Microsoft

Founded in 1975, Microsoft (Nasdaq “MSFT”) is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

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1 Survey conducted online by Harris Interactive Service Bureau on behalf of ConStat Inc. within the United States among 500 online adults.

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Further, 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 restatements and related matters including: Nortel's most recent restatement and two previous restatements of its financial statements and related events; the negative impact on Nortel and NNL of their most recent restatement and delay in filing their financial statements and related periodic reports; legal judgments, fines, penalties or settlements, or any substantial regulatory fines or other penalties or sanctions, related to the ongoing regulatory and criminal investigations of Nortel in the U.S. and Canada; any significant pending civil litigation actions not encompassed by Nortel's proposed class action settlement; any substantial cash payment and/or significant dilution of Nortel's existing equity positions resulting from the approval of its proposed class action settlement; any unsuccessful remediation of Nortel's material weaknesses in internal control over financial reporting resulting in an inability to report Nortel's results of operations and financial condition accurately and in a timely manner; the time required to implement Nortel's remedial measures; Nortel's inability to access, in its current form, its shelf registration filed with the United States Securities and Exchange Commission (SEC), and Nortel's below investment grade credit rating and any further adverse effect on its credit rating due to Nortel's restatements of its financial statements; any adverse affect on Nortel's business and market price of its publicly traded securities arising from continuing negative publicity related to Nortel's restatements; Nortel's potential inability to attract or retain the personnel necessary to achieve its business objectives; any breach by Nortel of the continued listing requirements of the NYSE or TSX causing the NYSE and/or the TSX to commence suspension or delisting procedures; (ii) risks and uncertainties relating to Nortel's business including: yearly and quarterly fluctuations of Nortel's operating results; reduced demand and pricing pressures for its products due to global economic conditions, significant competition, competitive pricing practice, cautious capital spending by customers, increased 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; the sufficiency of recently announced restructuring actions, including the potential for higher actual costs to be incurred in connection with these restructuring actions compared to the estimated costs of such actions and the ability to achieve the targeted cost savings and reductions of Nortel's unfunded pension liability deficit; any material and adverse affects on Nortel's performance if its expectations regarding market demand for particular products prove to be wrong or because of certain barriers in its efforts to expand internationally; any reduction in Nortel's operating results and any related volatility in the market price of its publicly traded securities arising from any decline in its gross margin, or fluctuations in foreign currency exchange rates; any negative developments associated with Nortel's supply contract and contract manufacturing agreements including as a result of using a sole supplier for key optical networking solutions components, and any defects or errors in Nortel's current or planned products; any negative impact to Nortel of its failure to achieve its business transformation objectives; additional valuation allowances for all or a portion of its deferred tax assets; Nortel's failure to protect its intellectual property rights, or any adverse judgments or settlements arising out of disputes regarding intellectual property; changes in regulation of the Internet and/or other aspects of the industry; Nortel's failure to successfully operate or integrate its strategic acquisitions, or failure to consummate or succeed with its strategic alliances; any negative effect of Nortel's failure to evolve adequately its financial and managerial control and reporting systems and processes, manage and grow its business, or create an effective risk management strategy; and (iii) risks and uncertainties relating to Nortel's liquidity, financing arrangements and capital including: the impact of Nortel's most recent restatement and two previous restatements of its financial statements; any inability of Nortel to manage cash flow fluctuations to fund working capital requirements or achieve its business objectives in a timely manner or obtain additional sources of funding; high levels of debt, limitations on Nortel capitalizing on business opportunities because of support facility covenants, or on obtaining additional secured debt pursuant to the provisions of indentures governing certain of Nortel's public debt issues and the provisions of its support facility; any increase of restricted cash requirements for Nortel if it is unable to secure alternative support for obligations arising from certain normal course business activities, or any inability of Nortel's subsidiaries to provide it with sufficient funding; any negative effect to Nortel of the need to make larger defined benefit plans contributions in the future or exposure to customer credit risks or inability of customers to fulfill payment obligations under customer financing arrangements; any negative impact on Nortel's ability to make future acquisitions, raise capital, issue debt and retain employees arising from stock price volatility and further declines in the market price of Nortel's publicly traded securities, or the share consolidation resulting in a lower total market capitalization or adverse effect on the liquidity of Nortel's common shares. For additional information with respect to certain of these and other factors, see Nortel's Annual Report on Form 10-K/A, Quarterly Reports on Form 10-Q and other securities filings with the SEC. 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.

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Innovative Communications Alliance Customer Support

BT

BT Global Services is the division of BT Group that provides networked IT services worldwide that enable multinational, multisite enterprises to thrive and grow in the digital networked economy

“The Nortel and Microsoft alliance has the potential to accelerate and simplify the realization of unified communications for a significant part of our customer base. BT leads by example, and we are already using Exchange Server 2007 Unified Messaging with our Nortel telephony system. From this experience and from our position as a leading supplier of networked IT services, we believe that the native, standards-based SIP interoperability that Microsoft and Nortel announced today should simplify deployments and reduce total cost of ownership.”

— Tom Craig
President, IP Networking
BT Global Services

CLSA

With operations in 11 countries in the Asia-Pacific region and the financial centers of New York and London, CLSA is one of the leading financial powerhouses worldwide. Hong Kong-based CLSA is an award-winning firm that provides services in brokerage, investment banking and private equity.

“We had to connect our regional offices and headquarters, with more than 1,000 employees, with a system that enhanced our ability to execute trades and provide reporting data. The Innovative Communications Alliance is delivering a unified communications system that brings the power of Nortel's IP telephony together with the collaboration of Microsoft Office Live Communications Server to provide a solution superior to anything on the market. It will allow us to meet the needs of our customers, meet our regulatory requirements across many countries and simplify communications for our employees. Because the Innovative Communications Alliance allows us to leverage our existing infrastructure, it is the most cost-effective solution available.”

— T. Rajah
Chief Information Officer
CLSA

Fred Weber Inc.

Fred Weber Inc. is the St. Louis area's leader in heavy and highway construction. Based in Maryland Heights, Mo., this \$300 million-a-year, employee-owned business specializes in full-service concrete and asphalt paving projects and is the region's largest materials supplier. The company's work philosophies today are the same as those of founder Fred Weber 78 years ago. Of these, “The need to continually think and change business practices to better serve clients” led Fred Weber Inc. to leverage the Nortel and Microsoft relationship.

“At Fred Weber, our needs are different than other companies. Our business exists beyond four walls and a traditional office complex. This creates a critical need for effective and reliable integrated communications. Orchestrating 1,200 employees across our 25 construction and materials locations as well as our various subsidiary companies can be a logistical nightmare. The Innovative Communications Alliance solution provided by Nortel and Microsoft helps solve this problem, and allows us to spend more time with our customers and respond in real time to their needs.”

— Phillip Hagemann
Chief Information Officer
Fred Weber Inc.

International SOS

International SOS is the world's leading provider of medical assistance, international healthcare and security services. With operations in 65 countries and a 4,500-strong work force, International SOS helps companies and organizations manage the health and security risks their travelers, expatriates and global work force face.

"Providing high-quality services to our customers globally requires effective communication internally and externally. Engaging Nortel and Microsoft's Innovative Communications Alliance relationship gives us the opportunity to implement a blended technology solution that allows us to enhance our core business of providing healthcare and security services around the world."

— Todd Schofield
Chief Technology Officer
International SOS

Thomas College

Thomas College, a private college in Waterville, Maine, is dedicated to career training with a tradition of educating students in business, technology and education. With more than 950 undergraduate and graduate students, and a faculty of 66, Thomas is adopting cutting-edge Microsoft and Nortel information technology under the aegis of the Innovative Communications Alliance.

"While we are a small college, we have the goal of implementing unified communications capabilities to serve our students and faculty on par with universities that have higher enrollments and larger budgets. We have used the Nortel telephony infrastructure for two decades and are now using Microsoft Office Live Communications Server, so the Innovative Communications Alliance unified communications suite is a natural extension. The plan is to deploy the Innovative Communications Alliance solution to integrate communications, enhance online coursework, and provide a custom, campuswide instant messaging capability and a collaborative electronic blackboard capability. The net result is that we are a 113-year-old institution that is preparing our students for success in their personal and professional lives, and for leadership and service in their communities."

— Chris Rhoda
Vice President of Information Services
Thomas College