

## **Nortel sale signals start of break-up**

*Paul Taylor and Chris Nuttall*

*Nortel Networks, the Canadian telecoms equipment maker, has agreed to sell key assets to Nokia Siemens Networks for \$650m.*

Nortel, which filed for bankruptcy in January in the US and Canada, is selling its profitable CDMA wireless network business and a research and development unit working on Long Term Evolution (LTE) next-generation services.

More than 2,500 Nortel employees, mainly based in Ottawa, Canada and Dallas, Texas, are expected to be transferred to Nokia Siemens.

Canada's government-owned export credit agency is understood to be backing the deal with a US\$300m loan commitment. The transaction is subject to the approval of the US Bankruptcy Court and Ontario Superior Court of Justice, who are expected to hold hearings before the end of the month. If approved, the deal is expected to close in the third quarter.

The CDMA business is the heart of Nortel's operations and its most profitable unit. The sale therefore signals that the Canadian company will be broken up and sold off piecemeal, rather than emerge from bankruptcy protection as an independent entity.

The company went into court protection from creditors earlier this year after network operators, particularly those in the US, cut back on their capital spending in the face of the global economic downturn.

Since then, Nortel's management, led by Mike Zafirovski, chief executive, has been trying to put together a reorganisation plan for the company while also negotiating the sale of the company's assets.

Simon Beresford-Wylie, chief executive officer of Nokia Siemens Networks, said: "This agreement provides an important strategic opportunity for Nokia Siemens Networks to strengthen its position in two key areas, North America and LTE, at a price that makes good economic sense".

Existing Nortel and Nokia Siemens Networks customers welcomed the agreement.

Dan Hesse, president and chief executive officer of Sprint Nextel, commented: "This news eliminates industry uncertainty and enhances CDMA and EVDO, today and in the future. We at Sprint are pleased to have the support of a strong and stable supplier to continue to deliver reliable technology and services that our customers rely on every day".

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