

**NORTEL NETWORKS CORPORATION**  
**Condensed Consolidated Balance Sheets (unaudited)**  
(U.S. GAAP; Millions of U.S. dollars, except for share amounts)

	<u>March 31, 2007</u>	<u>December 31, 2006</u>	<u>March 31, 2006</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 4,555	\$ 3,492	\$ 2,695
Restricted cash and cash equivalents	44	639	77
Accounts receivable - net	2,359	2,785	2,569
Inventories - net	2,048	1,989	2,297
Deferred income taxes - net	367	276	388
Other current assets	490	742	821
<b>Total current assets</b>	<u>9,863</u>	<u>9,923</u>	<u>8,847</u>
Investments	201	204	244
Plant and equipment - net	1,515	1,530	1,529
Goodwill	2,530	2,529	2,685
Intangible assets - net	229	241	166
Deferred income taxes - net	3,785	3,863	3,639
Other assets	599	689	760
<b>Total assets</b>	<u>\$ 18,722</u>	<u>\$ 18,979</u>	<u>\$ 17,870</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other accounts payable	\$ 1,051	\$ 1,125	\$ 1,071
Payroll and benefit-related liabilities	524	640	783
Contractual liabilities	227	243	297
Restructuring liabilities	135	97	84
Other accrued liabilities	3,795	4,603	4,420
Long-term debt due within one year	21	18	1,468
<b>Total current liabilities</b>	<u>5,753</u>	<u>6,726</u>	<u>8,123</u>
Long-term debt	5,591	4,446	2,446
Deferred income taxes - net	48	97	109
Other liabilities	3,836	5,810	5,782
<b>Total liabilities</b>	<u>15,228</u>	<u>17,079</u>	<u>16,460</u>
Minority interests in subsidiary companies	790	779	769
<b>SHAREHOLDERS' EQUITY</b>			
Common shares, without par value - Authorized shares: unlimited; Issued and outstanding shares: 436,874,114 as of March 31, 2007, 433,934,747 as of December 31, 2006 and 433,933,763 as of March 31, 2006	34,015	33,938	33,930
Additional paid-in capital	4,957	3,378	3,300
Accumulated deficit	(35,678)	(35,574)	(35,773)
Accumulated other comprehensive loss	(590)	(621)	(816)
<b>Total shareholders' equity</b>	<u>2,704</u>	<u>1,121</u>	<u>641</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 18,722</u>	<u>\$ 18,979</u>	<u>\$ 17,870</u>