

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

	<u>March 31, 2008</u>	<u>December 31, 2007</u>	<u>March 31, 2007</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,223	\$ 3,532	\$ 4,555
Restricted cash and cash equivalents	58	76	44
Accounts receivable - net	2,338	2,583	2,359
Inventories - net	1,818	2,002	2,048
Deferred income taxes - net	535	487	367
Other current assets	472	467	490
Total current assets	<u>8,444</u>	<u>9,147</u>	<u>9,863</u>
Investments	193	194	201
Plant and equipment - net	1,510	1,532	1,515
Goodwill	2,570	2,559	2,530
Intangible assets - net	188	213	229
Deferred income taxes - net	2,774	2,868	3,785
Other assets	574	555	599
Total assets	<u>\$ 16,253</u>	<u>\$ 17,068</u>	<u>\$ 18,722</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other accounts payable	\$ 1,070	\$ 1,187	\$ 1,051
Payroll and benefit-related liabilities	545	690	524
Contractual liabilities	259	272	227
Restructuring liabilities	143	100	135
Other accrued liabilities	3,497	3,825	3,795
Long-term debt due within one year	696	698	21
Total current liabilities	<u>6,210</u>	<u>6,772</u>	<u>5,753</u>
Long-term debt	3,838	3,816	5,591
Deferred income taxes - net	30	17	48
Other liabilities	2,706	2,875	3,836
Total liabilities	<u>12,784</u>	<u>13,480</u>	<u>15,228</u>
Minority interests in subsidiary companies	883	830	790
SHAREHOLDERS' EQUITY			
Common shares, without par value - Authorized shares: unlimited; Issued and outstanding shares: 438,029,916 as of March 31, 2008, 437,423,006 as of December 31, 2007 and 436,874,114 as of March 31, 2007	34,043	34,028	34,015
Additional paid-in capital	5,033	5,025	4,957
Accumulated deficit	(36,705)	(36,532)	(35,678)
Accumulated other comprehensive loss	215	237	(590)
Total shareholders' equity	<u>2,586</u>	<u>2,758</u>	<u>2,704</u>
Total liabilities and shareholders' equity	<u>\$ 16,253</u>	<u>\$ 17,068</u>	<u>\$ 18,722</u>