

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

	Three months ended		
	March 31, 2008	December 31, 2007	March 31, 2007
Revenues:			
Products	\$ 2,471	\$ 2,861	\$ 2,169
Services	287	337	314
	<u>2,758</u>	<u>3,198</u>	<u>2,483</u>
Cost of revenues			
Products	1,459	1,626	1,303
Services	153	175	178
	<u>1,612</u>	<u>1,801</u>	<u>1,481</u>
Gross profit	1,146 41.6%	1,397 43.7%	1,002 40.4%
Selling, general and administrative expense	597	678	604
Research and development expense	420	475	409
Operating Margin	129 4.7%	244 7.6%	(11) -0.4%
Amortization of intangibles	12	13	12
In-process research and development expense	-	-	-
Special charges	88	38	80
Gain on sale of businesses and assets	(2)	(23)	(1)
Shareholder litigation settlement recovery	-	-	(54)
Regulatory investigation expense	-	-	-
Other operating charges (income) - net	13	(6)	(10)
Operating earnings (loss)	18	222	(38)
Other income - net	(37)	(93)	(66)
Interest expense			
Long-term debt	74	74	85
Other	6	6	11
Loss from operations before income taxes, minority interests and equity in net earnings (loss) of associated companies	(25)	235	(68)
Income tax expense	36	1,040	13
	(61)	(805)	(81)
Minority interests - net of tax	78	39	22
Equity in net earnings (loss) of associated companies - net of tax	(1)	-	-
Net earnings (loss)	<u>\$ (138)</u>	<u>\$ (844)</u>	<u>\$ (103)</u>
Average shares outstanding (millions) - Basic	498	498	442
Average shares outstanding (millions) - Diluted	498	498	442
Basic and diluted earnings (loss) per common share	<u>(\$0.28)</u>	<u>(\$1.70)</u>	<u>(\$0.23)</u>