

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

	<u>June 30, 2007</u>	<u>March 31, 2007</u>	<u>December 31, 2006</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,473	\$ 4,555	\$ 3,492
Restricted cash and cash equivalents	47	44	639
Accounts receivable - net	2,393	2,359	2,785
Inventories - net	2,119	2,048	1,989
Deferred income taxes - net	432	367	276
Other current assets	534	490	742
Total current assets	<u>9,998</u>	<u>9,863</u>	<u>9,923</u>
Investments	196	201	204
Plant and equipment - net	1,511	1,515	1,530
Goodwill	2,535	2,530	2,529
Intangible assets - net	234	229	241
Deferred income taxes - net	3,916	3,785	3,863
Other assets	559	599	689
Total assets	<u>\$ 18,949</u>	<u>\$ 18,722</u>	<u>\$ 18,979</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other accounts payable	\$ 1,025	\$ 1,051	\$ 1,125
Payroll and benefit-related liabilities	547	524	640
Contractual liabilities	239	227	243
Restructuring liabilities	105	135	97
Other accrued liabilities	3,796	3,795	4,603
Long-term debt due within one year	22	21	18
Total current liabilities	<u>5,734</u>	<u>5,753</u>	<u>6,726</u>
Long-term debt	5,580	5,591	4,446
Deferred income taxes - net	53	48	97
Other liabilities	3,988	3,836	5,810
Total liabilities	<u>15,355</u>	<u>15,228</u>	<u>17,079</u>
Minority interests in subsidiary companies	788	790	779
SHAREHOLDERS' EQUITY			
Common shares, without par value - Authorized shares: unlimited; Issued and outstanding shares: 437,197,970 as of June 30, 2007, 436,874,114 as of March 31, 2007 and 433,934,747 as of December 31, 2006	34,023	34,015	33,938
Additional paid-in capital	4,980	4,957	3,378
Accumulated deficit	(35,715)	(35,678)	(35,574)
Accumulated other comprehensive loss	(482)	(590)	(621)
Total shareholders' equity	<u>2,806</u>	<u>2,704</u>	<u>1,121</u>
Total liabilities and shareholders' equity	<u>\$ 18,949</u>	<u>\$ 18,722</u>	<u>\$ 18,979</u>