

NORTEL NETWORKS CORPORATION
Condensed Consolidated Statements of Cash Flows (unaudited)
(U.S. GAAP; Millions of U.S. dollars)

	Three months ended			Six months ended	
	June 30, 2007	March 31, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Cash flows from (used in) operating activities					
Net earnings (loss)	\$ (37)	\$ (103)	\$ 342	\$ (140)	\$ 171
Adjustments to reconcile net earnings (loss) to net cash from (used in) operating activities, net of effects from acquisitions and divestitures of businesses:					
Amortization and depreciation	73	79	85	152	135
In-process research and development expense	-	-	16	-	16
Non-cash portion of shareholder litigation settlement expense (recovery)	-	(54)	(510)	(54)	(491)
Non-cash portion of special charges and related asset write downs	3	-	2	3	(9)
Equity in net (earnings) loss of associated companies	(1)	-	3	(1)	5
Share based compensation expense	30	25	28	55	53
Deferred income taxes	(2)	5	37	3	52
Cumulative effect of accounting change - net of tax	-	-	-	-	(9)
Pension and other accruals	44	92	84	136	185
Gain on sale or write down of investments, businesses and assets	(5)	(1)	10	(6)	(28)
Minority interests	11	22	(4)	33	(10)
Other - net	(86)	18	176	(68)	222
Change in operating assets and liabilities, excluding Global Class Action Settlement - net	(150)	(59)	(377)	(209)	(574)
Global Class Action Settlement - net	-	(585)	-	(585)	-
Net cash from (used in) operating activities	(120)	(561)	(108)	(681)	(282)
Cash flows from (used in) investing activities					
Expenditures for plant and equipment	(53)	(56)	(78)	(109)	(177)
Proceeds on disposals of plant and equipment	70	14	2	84	89
Restricted cash and cash equivalents	(3)	595	(570)	592	(567)
Acquisitions of investments and businesses - net of cash acquired	(12)	(14)	(4)	(26)	(125)
Proceeds on sale of investments and businesses	21	(39)	81	(18)	111
Net cash from (used in) investing activities	23	500	(569)	523	(669)
Cash flows from (used in) financing activities					
Dividends paid by subsidiaries to minority interests	(15)	(10)	(13)	(25)	(31)
Increase in notes payable	14	10	23	24	27
Decrease in notes payable	(15)	(12)	(9)	(27)	(12)
Proceeds from issuance of long-term debt	-	1,150	-	1,150	1,300
Repayments of long-term debt	-	-	(150)	-	(1,425)
Debt issuance costs	(1)	(22)	-	(23)	-
Increase in capital leases payable	-	-	-	-	-
Decrease in capital leases payable	(6)	(5)	(4)	(11)	(9)
Issuance of common shares	2	7	-	9	1
Net cash from (used in) financing activities	(21)	1,118	(153)	1,097	(149)
Effect of foreign exchange rate changes on cash and cash equivalents	36	6	39	42	53
Net increase (decrease) in cash and cash equivalents	(82)	1,063	(791)	981	(1,047)
Cash and cash equivalents at beginning of period	4,555	3,492	2,695	3,492	2,951
Cash and cash equivalents at end of period	\$ 4,473	\$ 4,555	\$ 1,904	\$ 4,473	\$ 1,904