

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

	<u>September 30, 2007</u>	<u>June 30, 2007</u>	<u>December 31, 2006</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,128	\$ 4,473	\$ 3,492
Restricted cash and cash equivalents	64	47	639
Accounts receivable - net	2,538	2,393	2,785
Inventories - net	2,094	2,119	1,989
Deferred income taxes - net	472	432	276
Other current assets	598	534	742
Total current assets	<u>8,894</u>	<u>9,998</u>	<u>9,923</u>
Investments	200	196	204
Plant and equipment - net	1,533	1,511	1,530
Goodwill	2,537	2,535	2,529
Intangible assets - net	224	234	241
Deferred income taxes - net	3,982	3,916	3,863
Other assets	545	559	689
Total assets	<u>\$ 17,915</u>	<u>\$ 18,949</u>	<u>\$ 18,979</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other accounts payable	\$ 1,077	\$ 1,025	\$ 1,125
Payroll and benefit-related liabilities	563	547	640
Contractual liabilities	266	239	243
Restructuring liabilities	121	105	97
Other accrued liabilities	3,757	3,796	4,603
Long-term debt due within one year	697	22	18
Total current liabilities	<u>6,481</u>	<u>5,734</u>	<u>6,726</u>
Long-term debt	3,799	5,580	4,446
Deferred income taxes - net	16	53	97
Other liabilities	3,890	3,988	5,810
Total liabilities	<u>14,186</u>	<u>15,355</u>	<u>17,079</u>
Minority interests in subsidiary companies	822	788	779
SHAREHOLDERS' EQUITY			
Common shares, without par value - Authorized shares: unlimited; Issued and outstanding shares: 437,328,768 as of September 30, 2007, 437,197,970 as of June 30, 2007 and 433,934,747 as of December 31, 2006	34,027	34,023	33,938
Additional paid-in capital	5,008	4,980	3,378
Accumulated deficit	(35,688)	(35,715)	(35,574)
Accumulated other comprehensive loss	(440)	(482)	(621)
Total shareholders' equity	<u>2,907</u>	<u>2,806</u>	<u>1,121</u>
Total liabilities and shareholders' equity	<u>\$ 17,915</u>	<u>\$ 18,949</u>	<u>\$ 18,979</u>