

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

	Three months ended			Nine months ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Cash flows from (used in) operating activities					
Net earnings (loss)	\$ 27	\$ (37)	\$ (63)	\$ (113)	\$ 108
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	79	73	87	231	222
In-process research and development expense	-	-	-	-	16
Non-cash portion of shareholder litigation settlement expense (recovery)	-	-	38	(54)	(453)
Non-cash portion of special charges and related asset write downs	-	3	11	3	2
Equity in net (earnings) loss of associated companies	(1)	(1)	1	(2)	6
Share based compensation expense	31	30	30	86	83
Deferred income taxes	(11)	(2)	21	(8)	73
Cumulative effect of accounting change - net of tax	-	-	-	-	(9)
Pension and other accruals	64	44	84	200	269
Gain on sale or write down of investments, businesses and assets	3	(5)	(8)	(3)	(36)
Minority interests	43	11	11	76	1
Other - net	(119)	(86)	26	(187)	248
Change in operating assets and liabilities, excluding Global Class Action Settlement - net	(255)	(150)	(239)	(464)	(813)
Global Class Action Settlement - net	-	-	-	(585)	-
Net cash from (used in) operating activities	(139)	(120)	(1)	(820)	(283)
Cash flows from (used in) investing activities					
Expenditures for plant and equipment	(31)	(53)	(83)	(140)	(260)
Proceeds on disposals of plant and equipment	5	70	36	89	125
Restricted cash and cash equivalents	(17)	(3)	21	575	(546)
Acquisitions of investments and businesses - net of cash acquired	(55)	(12)	(9)	(81)	(134)
Proceeds on sale of investments and businesses	(11)	21	88	(29)	199
Net cash from (used in) investing activities	(109)	23	53	414	(616)
Cash flows from (used in) financing activities					
Dividends paid by subsidiaries to minority interests	(10)	(15)	(15)	(35)	(46)
Increase in notes payable	23	14	61	47	88
Decrease in notes payable	(25)	(15)	(63)	(52)	(75)
Increase in loan payable	-	-	-	-	1,300
Proceeds from issuance of long-term debt	-	-	2,000	1,150	2,000
Repayments of long-term debt	(1,125)	-	(1,300)	(1,125)	(2,725)
Debt issuance costs	-	(1)	(42)	(23)	(42)
Increase in capital leases payable	-	-	-	-	-
Decrease in capital leases payable	(7)	(6)	(3)	(18)	(12)
Issuance of common shares	1	2	-	10	1
Net cash from (used in) financing activities	(1,143)	(21)	638	(46)	489
Effect of foreign exchange rate changes on cash and cash equivalents	46	36	6	88	59
Net increase (decrease) in cash and cash equivalents	(1,345)	(82)	696	(364)	(351)
Cash and cash equivalents at beginning of period	4,473	4,555	1,904	3,492	2,951
Cash and cash equivalents at end of period	\$ 3,128	\$ 4,473	\$ 2,600	\$ 3,128	\$ 2,600