

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

	December 31, 2006	September 30, 2006 <i>As restated</i>	December 31, 2005 <i>As restated</i>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,492	\$ 2,600	\$ 2,951
Restricted cash and cash equivalents	639	628	77
Accounts receivable - net	2,785	2,795	2,826
Inventories - net	1,989	2,139	2,080
Deferred income taxes - net	276	405	377
Other current assets	742	739	798
Total current assets	9,923	9,306	9,109
Investments	204	212	244
Plant and equipment - net	1,530	1,557	1,560
Goodwill	2,529	2,589	2,586
Intangible assets - net	241	184	172
Deferred income taxes - net	3,863	3,687	3,664
Other assets	689	716	800
Total assets	\$ 18,979	\$ 18,251	\$ 18,135
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other accounts payable	\$ 1,125	\$ 951	\$ 1,181
Payroll and benefit-related liabilities	640	790	803
Contractual liabilities	243	221	348
Restructuring liabilities	97	93	99
Other accrued liabilities	4,603	4,420	4,232
Long-term debt due within one year	18	18	1,446
Total current liabilities	6,726	6,493	8,109
Long-term debt	4,446	4,446	2,439
Deferred income taxes - net	97	107	104
Other liabilities	5,810	5,159	5,937
Total liabilities	17,079	16,205	16,589
Minority interests in subsidiary companies	779	757	783
Guarantees, commitments and contingencies			
SHAREHOLDERS' EQUITY			
Common shares, without par value - Authorized shares: unlimited; Issued and outstanding shares: 433,934,747 and 433,916,293 for 2006 and 2005, respectively.	33,938	33,936	33,932
Additional paid-in capital	3,378	3,352	3,281
Accumulated deficit	(35,574)	(35,494)	(35,602)
Accumulated other comprehensive loss	(621)	(505)	(848)
Total shareholders' equity	1,121	1,289	763
Total liabilities and shareholders' equity	\$ 18,979	\$ 18,251	\$ 18,135