

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

	<u>December 31, 2007</u>	<u>September 30, 2007</u>	<u>December 31, 2006</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,532	\$ 3,128	\$ 3,492
Restricted cash and cash equivalents	76	64	639
Accounts receivable - net	2,583	2,538	2,785
Inventories - net	2,002	2,094	1,989
Deferred income taxes - net	487	472	276
Other current assets	467	598	742
Total current assets	<u>9,147</u>	<u>8,894</u>	<u>9,923</u>
Investments	194	200	204
Plant and equipment - net	1,532	1,533	1,530
Goodwill	2,559	2,537	2,529
Intangible assets - net	213	224	241
Deferred income taxes - net	2,868	3,982	3,863
Other assets	555	545	689
Total assets	<u>\$ 17,068</u>	<u>\$ 17,915</u>	<u>\$ 18,979</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other accounts payable	\$ 1,187	\$ 1,077	\$ 1,125
Payroll and benefit-related liabilities	690	563	640
Contractual liabilities	272	266	243
Restructuring liabilities	100	121	97
Other accrued liabilities	3,825	3,757	4,603
Long-term debt due within one year	698	697	18
Total current liabilities	<u>6,772</u>	<u>6,481</u>	<u>6,726</u>
Long-term debt	3,816	3,799	4,446
Deferred income taxes - net	17	16	97
Other liabilities	2,875	3,890	5,810
Total liabilities	<u>13,480</u>	<u>14,186</u>	<u>17,079</u>
Minority interests in subsidiary companies	830	822	779
SHAREHOLDERS' EQUITY			
Common shares, without par value - Authorized shares: unlimited;			
Issued and outstanding shares: 437,423,006 as of December 31, 2007			
437,328,768 as of September 30, 2007 and 433,934,747 as of December 31, 2006	34,028	34,027	33,938
Additional paid-in capital	5,025	5,008	3,378
Accumulated deficit	(36,532)	(35,688)	(35,574)
Accumulated other comprehensive loss	237	(440)	(621)
Total shareholders' equity	<u>2,758</u>	<u>2,907</u>	<u>1,121</u>
Total liabilities and shareholders' equity	<u>\$ 17,068</u>	<u>\$ 17,915</u>	<u>\$ 18,979</u>