

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

	Three months ended			Twelve months ended	
	December 31, 2007	September 30, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Cash flows from (used in) operating activities					
Net earnings (loss)	\$ (844)	\$ 27	\$ (80)	\$ (957)	\$ 28
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	97	79	68	328	290
Non-cash portion of shareholder litigation settlement expense (recovery)	-	-	234	(54)	(219)
Non-cash portion of special charges and related asset write downs	10	-	1	13	3
In-process research and development expense	-	-	6	-	22
Equity in net (earnings) loss of associated companies	-	(1)	(3)	(2)	3
Share based compensation expense	19	31	29	105	112
Deferred income taxes	1,027	(11)	(42)	1,019	31
Cumulative effect of accounting change - net of tax	-	-	-	-	(9)
Pension and other accruals	77	64	77	277	346
Gain on sale or write down of investments, businesses and assets	(23)	3	(164)	(26)	(200)
Minority interests	39	43	58	115	59
Other - net	(18)	(119)	(28)	(205)	220
Change in operating assets and liabilities, excluding Global Class Action Settlement - net	33	(255)	364	(431)	(449)
Global Class Action Settlement - net	-	-	-	(585)	-
Net cash from (used in) operating activities	417	(139)	520	(403)	237
Cash flows from (used in) investing activities					
Expenditures for plant and equipment	(95)	(31)	(56)	(235)	(316)
Proceeds on disposals of plant and equipment	1	5	18	90	143
Restricted cash and cash equivalents	(12)	(17)	(11)	563	(557)
Acquisitions of investments and businesses - net of cash acquired	(4)	(55)	(12)	(85)	(146)
Proceeds on sale of investments and businesses	104	(11)	404	75	603
Net cash from (used in) investing activities	(6)	(109)	343	408	(273)
Cash flows from (used in) financing activities					
Dividends paid by subsidiaries to minority interests	(17)	(10)	(14)	(52)	(60)
Increase in notes payable	29	23	17	76	105
Decrease in notes payable	(29)	(25)	(4)	(81)	(79)
Increase in loan payable	-	-	-	-	-
Proceeds from issuance of long-term debt	-	-	-	1,150	3,300
Repayments of long-term debt	-	(1,125)	-	(1,125)	(2,725)
Debt issuance costs	-	-	-	(23)	(42)
Increase in capital leases payable	-	-	1	-	1
Decrease in capital leases payable	(6)	(7)	(5)	(24)	(17)
Issuance of common shares	-	1	-	10	1
Share consolidation cost	-	-	(1)	-	(1)
Net cash from (used in) financing activities	(23)	(1,143)	(6)	(69)	483
Effect of foreign exchange rate changes on cash and cash equivalents	16	46	35	104	94
Net increase (decrease) in cash and cash equivalents	404	(1,345)	892	40	541
Cash and cash equivalents at beginning of period	3,128	4,473	2,600	3,492	2,951
Cash and cash equivalents at end of period	\$ 3,532	\$ 3,128	\$ 3,492	\$ 3,532	\$ 3,492