

NORTEL NETWORKS CORPORATION
(Under Creditor Protection Proceedings as of January 14, 2009)
Condensed Combined and Consolidated Balance Sheets (unaudited)
(U.S. GAAP; Millions of U.S. dollars, except per share amounts)

	<u>June 30, 2009</u>	<u>March 31, 2009</u>	<u>December 31, 2008</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,562	\$ 2,479	\$ 2,397
Short-term investments	6	23	65
Restricted cash and cash equivalents	110	92	36
Accounts receivable - net	1,521	1,692	2,154
Inventories - net	1,128	1,419	1,477
Deferred income taxes - net	17	27	44
Other current assets	535	489	455
Assets held for sale	248	-	-
Total current assets	<u>6,127</u>	<u>6,221</u>	<u>6,628</u>
Investments	138	133	127
Plant and equipment - net	1,066	1,172	1,272
Goodwill	131	131	180
Intangible assets - net	123	129	143
Deferred income taxes - net	13	14	12
Other assets	253	303	475
Total assets	<u>\$ 7,851</u>	<u>\$ 8,103</u>	<u>\$ 8,837</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities			
Trade and other accounts payable	\$ 334	\$ 420	\$ 1,001
Payroll and benefit-related liabilities	423	401	453
Contractual liabilities	144	177	213
Restructuring liabilities	87	22	146
Other accrued liabilities	1,694	2,190	2,674
Long-term debt due within one year	3	3	19
Liabilities held for sale	333	-	-
Total current liabilities	<u>3,018</u>	<u>3,213</u>	<u>4,506</u>
Long-term liabilities			
Long-term debt	93	91	4,501
Deferred income taxes - net	9	11	11
Other liabilities	736	732	2,948
Total long-term liabilities	<u>838</u>	<u>834</u>	<u>7,460</u>
Liabilities subject to compromise	<u>7,967</u>	<u>7,691</u>	<u>-</u>
Total liabilities	<u>11,823</u>	<u>11,738</u>	<u>11,966</u>
SHAREHOLDERS' DEFICIT			
Common shares, without par value - Authorized shares: unlimited;			
Issued and outstanding shares: 497,941,038 as of March 31, 2009			
498,020,417 as of March 31, 2009 and 497,893,086 as of December 31, 2008	35,597	35,596	35,593
Additional paid-in capital	3,645	3,645	3,547
Accumulated deficit	(43,144)	(42,872)	(42,362)
Accumulated other comprehensive income	(892)	(829)	(729)
Total Nortel Networks Corporation shareholders' deficit	<u>(4,794)</u>	<u>(4,460)</u>	<u>(3,951)</u>
Noncontrolling interest	822	825	822
Total shareholders' deficit	<u>(3,972)</u>	<u>(3,635)</u>	<u>(3,129)</u>
Total liabilities and shareholders' deficit	<u>\$ 7,851</u>	<u>\$ 8,103</u>	<u>\$ 8,837</u>