ERNST & YOUNG

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TO ALL KNOWN CREDITORS

6 August 2010

Ref: MLP/7E/CH/NA/HR/LO3541

Deirdre Coakley/ Niall Coveney
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Dear Sirs

Nortel Networks (Ireland) Limited (In Administration) ("the Company")

High Court of Justice of England and Wales, Chancery Division, Companies Court Case number 541 of 2009

We write, in accordance with Rule 2.47 of The Insolvency Rules 1986, to provide creditors with a third report on the progress of the Administration (the "**Report**"). This Report covers the period from 14 January 2010 to 13 July 2010 and should be read in conjunction with the Joint Administrators' previous two reports dated 13 August 2009 and 13 February 2010, as well as the Joint Administrators' Statement of Proposals dated 23 February 2009. A copy of this Report can be made available on request or can be obtained at the following;

www.nortel.com/corporate/adminprogreports.html

The Company entered administration on 14 January 2009 when AR Bloom, of Ernst & Young LLP, 1 More London Place, London SE1 2AF, and D Hughes of Ernst & Young, Chartered Accountants, Ernst & Young building, Harcourt Centre, Harcourt Street, Dublin 2, Ireland, were appointed to act as joint administrators (the "**Joint Administrators**") by an order (the "**Order**") of the High Court of Justice of England and Wales (the "**Court**"), following an application made by the Company's directors.

This was part of a wider restructuring of the Nortel group of companies. Nortel Networks Corporation ("**NNC**"), the ultimate parent company of the Nortel group, Nortel Networks Limited ("**NNL**") and certain of its other Canadian subsidiaries filed an application for creditor protection under the Companies' Creditors Arrangement Act ("**CCAA**") in Canada to facilitate a comprehensive business and financial restructuring under the CCAA and Nortel Networks Inc ("**NNI**"), Nortel Networks Capital Corporation and a number of other US Nortel group companies filed petitions in the United States under Chapter 11 of the US Bankruptcy Code.

On the same day that the Company entered administration, the Court, following applications made by the directors of each company, made administration orders in respect of 18 other Nortel group companies based in the Europe, Middle East and Africa region ("**EMEA**"). Article 3 of the EC Regulation on Insolvency Proceedings 1346/2000 (the "**EC Regulation**"), states that the court of the EC member state in which the centre of main interests ("**COMI**") of a company is situated has jurisdiction to open main insolvency proceedings in respect of that company. In the case of the 19 EMEA group companies (the "**EMEA Companies**"), the Court was satisfied that their COMI was in England and as such it had jurisdiction to open main insolvency proceedings, namely administration, in respect of each company. Details of the 19 companies are provided at Appendix 1.

The Nortel group of companies (the "**Group**") reports in US dollars ("**US$**"), and accordingly all amounts referred to in this report are in US$ unless otherwise stated.

Please refer to the disclaimer at the end of the principal section of this report.

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1. Executive Summary of Progress of the Administration

Purpose of the Administration

The Joint Administrators continued to trade the Company's businesses with a view to achieving either a rescue of the Company as a going concern or a better result for the Company's creditors as a whole than would be likely if the Company were wound up. During 2009, it became clear that, owing to the financial and market pressures facing the Nortel businesses, the sale of all businesses would be necessary and a rescue of the Company as a going concern would not be possible.

The Joint Administrators believe that the continued trading and the sale of the businesses have been to the advantage of creditors. It was determined that it would be beneficial to continue to trade even at a carefully monitored loss, in order to achieve going concern values for the businesses and business assets, and to avoid contingent claims. Thus, it is expected that the Joint Administrators' strategy will achieve a better result for the Company's creditors as a whole than would be likely had the Company been wound up.

Sale of Businesses and Assets

The Group principally operated in three business segments: Enterprise Solutions ("**Enterprise**"), Metro Ethernet Networks ("**MEN**") and Carrier Networks, which comprises Global System for Mobile Communications ("**GSM**"), Carrier VoIP Application Solutions ("**CVAS**") and Code Division Multiple Access ("**CDMA**").

The Joint Administrators are pleased to report that sale agreements have been completed in respect of all the Group's major global businesses with the exception of the smaller Multiservice Switch ("**MSS**") business, with global realisations before transaction costs totalling some US$3.2 billion. All major disposals were conducted on a Group-wide basis, following a "stalking horse" procedure in line with Section 363 of the US Bankruptcy Code unless otherwise stated. As at the date of this report, the sale process for the MSS business is in progress.

The proceeds of the global sale transactions have been placed into escrow until the allocation of proceeds between individual Group companies (referred to in the Report as purchase price allocation ("**PPA**")) is determined. The mechanism of allocating disposal proceeds between Group companies is currently under negotiation. It is likely that any allocation process would need to be sanctioned by the US and Canadian Courts and the English High Court.

The Group continues to seek the sale of the MSS business, its residual intellectual property and other remaining assets. The Joint Administrators continue to work closely with the North American entities to maintain the value of the businesses and assets up to the dates of completion, when they will transfer to purchasers.

Owing to the integrated nature of the Group's business, it will be necessary for some EMEA Group Companies to provide transitional services to the purchasers for a period of one year post sale completion. Such services include the provision of various back office functions, infrastructure support and other assistance to enable each purchaser to integrate the business with their own. The purchasers will meet the direct cost of these services.

Next Steps

Having sold all of the Group's global businesses, with the exception of the smaller MSS business, the Joint Administrators consider that they have completed the principal trading phase of the Administration and are now dealing with winding down the Company's affairs and resolving outstanding issues with the other Group companies.

The main focus now is to deal with the post sale arrangements, including the continuation of the transitional services currently being provided, the resolution of The Pensions Regulator ("**TPR**") claims, intra-Group issues such as PPA and related claims and the development of an appropriate process to agree creditors' claims and distribute available funds to them.

The Joint Administrators have requested that creditors provide details of their claims. The Joint Administrators have not requested this information from those former employees of the Company who have written and provided details of claims to the Joint Administrators, as they are already aware of the status of these claims. The provision of such information to the Joint Administrators is an important step in preparing for future distributions, whilst the remaining business of Administration is being progressed.

The Joint Administrators are pleased to have agreed, and paid in full, preferential creditors that have arisen to date.

In addition, the Joint Administrators are currently implementing a plan to vacate the Company's remaining leasehold properties, finalising the Company's trading operations, settling post appointment liabilities and collecting working capital assets.

In an important development, the Determinations Panel of TPR (a UK statutory body) published a decision on 25 June 2010 that it intends to issue Financial Support Directions ("FSDs") against 25 target Group companies in EMEA and North America, including the Company. The effect of a FSD, if successfully imposed by TPR, would be to require the recipient to contribute (in an amount so far unquantified), to the deficiency of Nortel Networks UK Limited's ("NNUK") UK defined benefit pension scheme. The deficiency in NNUK's pension scheme is estimated to be in the region of GBP £2.1billion.

Please note that the FSD claim is being advanced by the TPR in the United Kingdom. The claim is not advanced by NNUK and is not advanced by the Joint Administrators of NNUK. Neither NNUK nor its Joint Administrators are party to the proceedings. NNUK can never benefit from the proceedings commenced by TPR. If a valid claim were ever sustained, any support that the Company would be required to give would flow direct to the pension fund.

The Joint Administrators of the Company and the other target EMEA Companies do not accept the conclusions of the Determinations Panel and are taking all appropriate steps to defend the Company and the other targeted EMEA Companies position vigorously. This is a matter which will have to be resolved through careful process and at this point the Joint Administrators wish creditors of the Company to understand that the Joint Administrators are very mindful of their duties to the EMEA Companies / or as Joint Administrators.

The recovery of funds by the Company from its intercompany receivable balances and the PPA process continue to be evaluated in light of potential FSDs.

The Joint Administrators have continued to hold confidential meetings with the Company's creditors' committee ("**The Committee**") in order to update them on events and the strategy adopted.

Further information is contained in the sections that follow.

2. Business Disposal Strategy

The Joint Administrators have now completed the disposal of the majority of businesses. This will achieve a better return for creditors of the Company than would otherwise have been possible, due to likely higher levels of realisations, the preservation of jobs through the transfer of employees to new entities and the orderly transfer of contracts to purchasers.

All sales of the major businesses were dealt with on a global basis in conjunction with the rest of the Group. The disposals followed a stalking horse auction process under Section 363 of the US Bankruptcy Code, unless otherwise stated. The Joint Administrators have been, and remain, actively involved in these auction processes and the auction parameters subsequently approved by the US and Canadian courts. They are also fully involved in negotiating the remaining EMEA sales agreements with purchasers, attending to post completion matters and assisting in moving the final sale (MSS) towards completion.

Completed Disposals

The following transactions have been completed. The sales values reported are headline global values and are stated before possible transaction costs and deductions. The proceeds of sale remain in escrow for distribution once the PPA has been agreed between the Group.

Sale of Layer 4-7 Business – Completed on 31 March 2009

On 31 March 2009, certain Group companies concluded the divestiture for US$18 million of certain parts of the Group's Virtual Service Switches business to Radware Ltd.

Sale of CDMA Business – Completed 13 November 2009

On 13 November 2009, the CDMA business sale to Ericsson AB was completed for US$1.13 billion.

Sale of Enterprise Business – Completed 18 December 2009

On 18 December 2009 the sale of the Enterprise business to Avaya was completed at a headline price of US$943 million. Certain working capital and other post sale adjustments are being worked through with the purchaser pursuant to the terms of sale agreement.

Sale of MEN Business – Completed 19 March 2010

On 19 March 2010, the sale of MEN was completed to Ciena for headline consideration of US$713 million. It was originally agreed that Ciena would provide a convertible loan as part of the deal but they were successful in raising finance before the completion date and therefore the total consideration has been for cash. Certain working capital and other post sale adjustments are being worked through with the purchaser pursuant to the terms of the sale agreement.

Sale of GSM / GSM-R Business – Completed 1 April 2010

On 1 April 2010 the sale of the GSM/ GSM-R business was completed to Kapsch Carrier.Com AG and Telefonaktiebolaget LM Ericsson for a headline price of US$103 million as part of an open auction process. This is subject to post-close working capital adjustments.

Sale of CVAS Business – Completed 28 May 2010

On 28 May 2010 the sale of CVAS was completed to Genband for headline consideration of $282 million, less balance sheet and other adjustments of approximately US$100 million, resulting in a net purchase price of approximately US$182 million. This is subject to post-close working capital adjustments.

Transactions and Post Completion Transitional Services

The preparation for disposal, subsequent auction and completion of the underlying businesses within the Group has been a very significant exercise. The Group's affairs were organised on a business basis with each legal entity operating a number of businesses.

In all material cases, the purchasers have required ongoing support from the Group, as vendor, to provide transitional services to enable an orderly migration of the business to new ownership. These transitional services have largely been provided by NNUK and, to a more limited extent, by the Company.

Future Transactions and Disposals

Sale of MSS Business

Negotiations for the sale of the MSS business are ongoing.

Residual Intellectual Property

After the various business sales, the Group will have in excess of 3,500 registered patent families remaining, and is exploring the strategic alternatives available to best optimise the value of the asset.

3. Trading and Operational Overview

The Joint Administrators concluded that continued trading of the businesses, pending sales as going concerns, was in the best interests of the Company's creditors.

The Joint Administrators balance the decision of continuing to trade with its impact on creditors. The Joint Administrators continue to trade in order to maximise the value of potential business and asset sales, and to reduce the value of termination claims and other contingent liabilities on the Company. The Joint Administrators consider that the potential realisation values from selling the Company's various businesses as going concerns will result in a better return to creditors than if the businesses ceased to trade and the assets of the Company were sold on a break-up basis.

The successful completion of the sales of the Group's major global businesses will result in the receipt of sales proceeds once the PPA has been completed. The completion of these sales has also resulted in the transition of employment contracts, certain supply/ purchase arrangements and most customer contracts, to the respective purchasers. This will facilitate the orderly winding down of the Company's operations.

In respect of the Company and the EMEA Companies generally, the Joint Administrators are pleased to report that as a result of the extensive work completed to maintain supply lines and customer relations, operations have been largely undisturbed as a consequence of the administrations. Through the support of the employees, suppliers and customers, the businesses have so far continued to operate normally to the point of disposal.

The headline trading results of the Company for the period from 1 January 2009 to the end of quarter one of 2010 are set out in the following table.

Headline Financial Information (US GAAP)	**US$ (m)**
Turnover 2009	247.44
Turnover Q1 2010	5.9
Trading Profit/ (Loss) 2009	17.44
Trading Profit/ (Loss) Q1 2010	0.7
Net Profit/ (Loss) 2009	(15.87)
Net Profit/ (Loss) Q1 2010	4.08

Real Estate

The Company's operational activity has reduced significantly in line with the sale of the businesses and the migration of operations to various purchasers. Accordingly the Joint Administrators have taken steps to reduce the Company's quarterly rental costs in line with the reduced level of activity. The Company has vacated two of the three leasehold locations, and is seeking to assign the lease for the third location to Avaya who currently occupy under a sublease.

Employees

Through the various business sales, the Joint Administrators have succeeded in transferring 285 employment contracts to purchasers of the businesses.

Employee Numbers as at 13 July 2010	
Employees at appointment	318
Additional Employees	35
Transferred with business sales	(285)
Resignations and other leavers	(28)
Redundancies	(21)
Employees at 13 July 2010	19

It is the Joint Administrators' intention to retain for a further period the remaining nineteen employees in order to support the transitional services and the wind down of the Company's operations, which are currently ongoing.

4. Receipts and Payments Account

Attached at Appendix 2 is the Joint Administrators' receipts and payments ("**R & P**") account for the period 14 January 2010 to 13 July 2010 for the Company. This shows total receipts of US$44,694,880 and payments of US$49,255,751. A trading overview is included in Section 3 above.

The Company held cash in various currencies equivalent to US$118.03 million at 13 July 2010.

The R & P account is a statement of cash received and cash paid out, and does not reflect estimated future receipts or payments, including proceeds from the sales of businesses held in escrow pending allocation amongst the Group.

For further information, see the detailed notes provided in Appendix 2.

5. Joint Administrators' Remuneration and Disbursements

The Joint Administrators' remuneration was fixed on a time costs basis by the Committee. During the period 7 November 2009 to 4 June 2010 the Joint Administrators incurred time costs of GB£1,074,397 of which GB£538,668 has been drawn on account in accordance with the court order dated 28 February 2009.

It is the responsibility of the Committee to approve the Joint Administrators' fees. GB£3,002,087 of time costs incurred for the period 14 January 2009 to 5 February 2010, which includes GB£476,341 of transaction time costs, has been approved for payment by resolutions passed by the Committee. An analysis of the time spent is at Appendix 3, which includes a statement of the Joint Administrators' policy in relation to charging time and disbursements.

Payments to Other Professionals

The Joint Administrators continue to engage the following professional advisors to assist them in the Administration. These professionals work on a time cost basis and internal review processes are undertaken to assess their invoices. As at 13 July 2010 the following has been paid:

Herbert Smith LLP – GB£148,793.73 (Legal Advisors)

Local Counsel – EUR€1,697,782.87 (Legal Advisors)

6. Other Matters

The Committee

The committee of the unsecured creditors was formed at the creditors' meeting held on 13 March 2009. The Joint Administrators continue to provide detailed information to the members of the Committee as the Administration progresses and matters evolve (including an analysis of their time costs for approval). The Joint Administrators will continue to keep the Committee apprised of developments.

The Prescribed Part

Section 176A of the Insolvency Act 1986 does not apply to this Administration as there is no qualifying floating charge security, and as such there is no Prescribed Part to be set aside for non-preferential creditors.

North American Claims Process

The Joint Administrators have filed certain claims on behalf of the Company and the other EMEA Companies in Group insolvency proceedings in jurisdictions where a bar date has been imposed.

No bar date has yet been set for the North American estates and Nortel Networks (CALA) Inc by the respective courts in respect of Group intercompany claims. Work is continuing to reconcile inter-company balances with the various Group entities to ensure that the EMEA Companies are able to meet any deadline which may be set in the future.

Further information on the North American claims process can be found at:

http://www.nortel.com/corporate/restructuring.html

The Joint Administrators will continue to file protective claims on behalf of the Company and the other EMEA Companies in jurisdictions where a bar date is imposed.

7. Future Conduct of the Administration

Purchase Price Allocation ("PPA") – The Business Disposals

The proceeds from the business sales, which were placed in escrow accounts on completion, will subsequently be apportioned between the selling companies. The proper allocation of proceeds across each selling entity, including the Company and the other EMEA Companies, is a matter of importance not only to the Joint Administrators but also to the Court-appointed Monitor of NNL (the Canadian company) and the Unsecured Creditors' Committee of NNI (the US company), as fiduciaries responsible in respect of the Chapter 11 proceedings of the US company.

The intention of the Joint Administrators, NNL and NNI (together with the Monitor and the legal advisors to the Unsecured Creditors' Committee) is for the PPA and the settlement of intra-group claims to be determined by way of a consensual agreement between the three principal estates, EMEA, US and Canada.

For this purpose, an electronic data room ("**EDR**") has recently been populated. The Joint Administrators have negotiated a confidentiality agreement with the other estates and provided requested data into the EDR. The EDR will aid the continued development of our valuation analysis as new information comes to light.

To further support the estates' ability to reach a consensual agreement, the EMEA, US and Canadian estates undertook to exchange heads of intercompany claims that could potentially be made. Such claims have now been exchanged but remain confidential at this time.

Certain of the estates have also undertaken investigations in order to increase their understanding of the transfer pricing arrangements which have operated within the Group. It is currently planned that the Joint Administrators will attend further inter-estate meetings in the summer/autumn to progress the PPA. Meanwhile, the review of the EDR in preparation for the meeting is a pre-requisite to meaningful allocation discussions.

In the event that it is not possible for the three estates to come to a consensual agreement, an arbitration process with the Canadian and US estates remains likely.

Whatever mechanism is used to determine the allocation of sale proceeds, the Joint Administrators are mindful that, in the subsequent negotiations, it is their duty to act in the best interests of the Company's creditors.

Distributions to Creditors

The Joint Administrators have agreed and paid known preferential creditors.

With regards to unsecured creditors, on 18 May 2010, the Joint Administrators obtained Court directions to allow them to commence an informal claims process. This informal claims process was commenced in July 2010. The Joint Administrators have invited submissions of claim forms so that the Nortel accounts function can assist with the process of reconciling claims to company records.

On the basis that the remaining business sale process is expected to complete by Q4 2010, it is possible that formal creditor claims process will be called for in late 2010. In accordance with the Insolvency Act 1986, the Joint Administrators will be writing to all known creditors and advertising for claims.

The FSDs create a barrier in determining the optimum distribution process for the Company and the other targeted EMEA Companies. The Joint Administrators continue to evaluate viable distribution options for the Company and the EMEA Companies to return surplus funds to creditors and ultimately exit the Administration process. Continual monitoring of local creditor views in light of the potential FSD claims against EMEA entities also remains important.

Once the trading position has been finalised, but before receipts from the business disposal escrow account (PPA receipts) and the receipt of intra-group dividends, the Joint Administrators currently anticipate that there will be, after meeting the costs of the administration and absent for any unforeseen liabilities arising, in the region of $112 million available to distribute to the pre-appointment creditors of the Company.

The Joint Administrators are, however, neither able to confirm the quantum of the pre-appointment creditor claims nor the likely return for individual creditors or class of creditor. These will be determined for the most part by the following key factors:

a. An analysis of the claims notified to the Joint Administrators following the recent advertising campaign requesting creditors to submit their claims on an informal basis. This process is currently ongoing.

b. The serving of any FSD on the Company by TPR. As stated, we are not certain as to whether any such FSD will actually be served, nor is there clarity as to the quantum of the potential liability arising as a result. It should be noted that, should any such FSD be served, the Joint Administrators will defend the Company's position vigorously. Having taken the appropriate legal advice the Joint Administrators are hopeful that any such FSD could be successfully resisted.

c. Finalisation of quantum of certain complex liabilities and claims.

d. Finalisation of ranking of creditor claims which will be determined as part of the distribution process.

The Joint Administrators will continue to update the Committee as appropriate of any key issues and their resolution.

The Joint Administrators are hopeful that they will be able to provide greater clarity around outcomes for creditors by the time of the next report.

ERNST & YOUNG

The Joint Administrators will report to creditors again in six months' time.

Yours faithfully
for Nortel Networks (Ireland) Limited (In Administration)

D Hughes
Joint Administrator

Enc: Company information
Joint Administrators' Receipts and Payments Account
Summary of Joint Administrators' Time Costs
Joint Administrators' Policy on Fees and Disbursements
Form 2.24B

For the Companies listed below, The Institute of Chartered Accountants in England and Wales in the UK authorises AR Bloom, SJ Harris and CJW Hill to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986 and the Association of Chartered Certified Accountants in the UK authorises A M Hudson to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986.

The affairs, business and property of the Companies are being managed by the Joint Administrators, AR Bloom, SJ Harris, AM Hudson and CJW Hill who act as agents of the Companies only and without personal liability.

The Companies are Nortel Networks UK Limited; Nortel Networks S.A.; Nortel GmbH; Nortel Networks France S.A.S.; Nortel Networks N.V.; Nortel Networks S.p.A.; Nortel Networks B.V.; Nortel Networks Polska Sp z.o.o.; Nortel Networks Hispania, S.A.; Nortel Networks (Austria) GmbH; Nortel Networks s.r.o.; Nortel Networks Engineering Service Kft; Nortel Networks Portugal S.A.; Nortel Networks Slovensko s.r.o.; Nortel Networks Oy; Nortel Networks Romania SRL; Nortel Networks AB; Nortel Networks International Finance & Holding B.V.

The affairs, business and property of Nortel Networks (Ireland) Limited are being managed by the Joint Administrators, A R Bloom and DM Hughes, who act as agents of Nortel Networks (Ireland) Limited only and without personal liability.

Nortel Networks S.A. was placed into French liquidation judiciaire on 28 May 2009. The business and assets of the company that are situated in France are now under the control of la liquidateur judiciaire.

We advise that this report is provided pursuant to our appointments as Joint Administrators of the Company. It is provided solely for the purpose of informing creditors of certain aspects of the current status of the Administration. As this report is only an interim indication of the overall position of the Company, and not a valuation of the current or future value of any particular item of debt, and is liable to change, it should not be relied upon as an indication of the final return to creditors and, in particular, neither we nor the Company shall have any responsibility to any person who relies on our report for the purpose of trading in debt of the Company.

Appendix 1

Nortel Networks (Ireland) Limited (In Administration)

Company information

Registered number:	40287
Company name:	Nortel Networks (Ireland) Limited
Registered office address:	Mervue Business Park, Mervue Galway, Republic of Ireland
Previous names:	Nortel (Ireland) Limited

Details of the Administrators and of their appointment

Administrators:	AR Bloom of Ernst & Young LLP, 1 More London Place, London, SE1 2AF and D Hughes of Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2, Ireland
Date of appointment:	14 January 2009
By whom appointed:	The appointment was made by the High Court of Justice, Chancery Division, Companies Court on the application of the Company's directors
Court reference:	High Court of Justice, Chancery Division, Companies Court - case 541 of 2009
Division of the Administrators' responsibility:	Any of the functions to be performed or powers exercisable by the administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting jointly

Statement Concerning the EC Regulation

The EC Council Regulation on Insolvency Proceedings 2000 applies to this administration and the proceedings are main proceedings. This means that this administration is conducted according to English insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

Share Capital

Class	Authorised		Issued & Fully paid	
	Number	**£**	**Number**	**£**
Ordinary	900,000	900,000	158,000	158,000
Preference	100,000	100,000	100,000	100,000

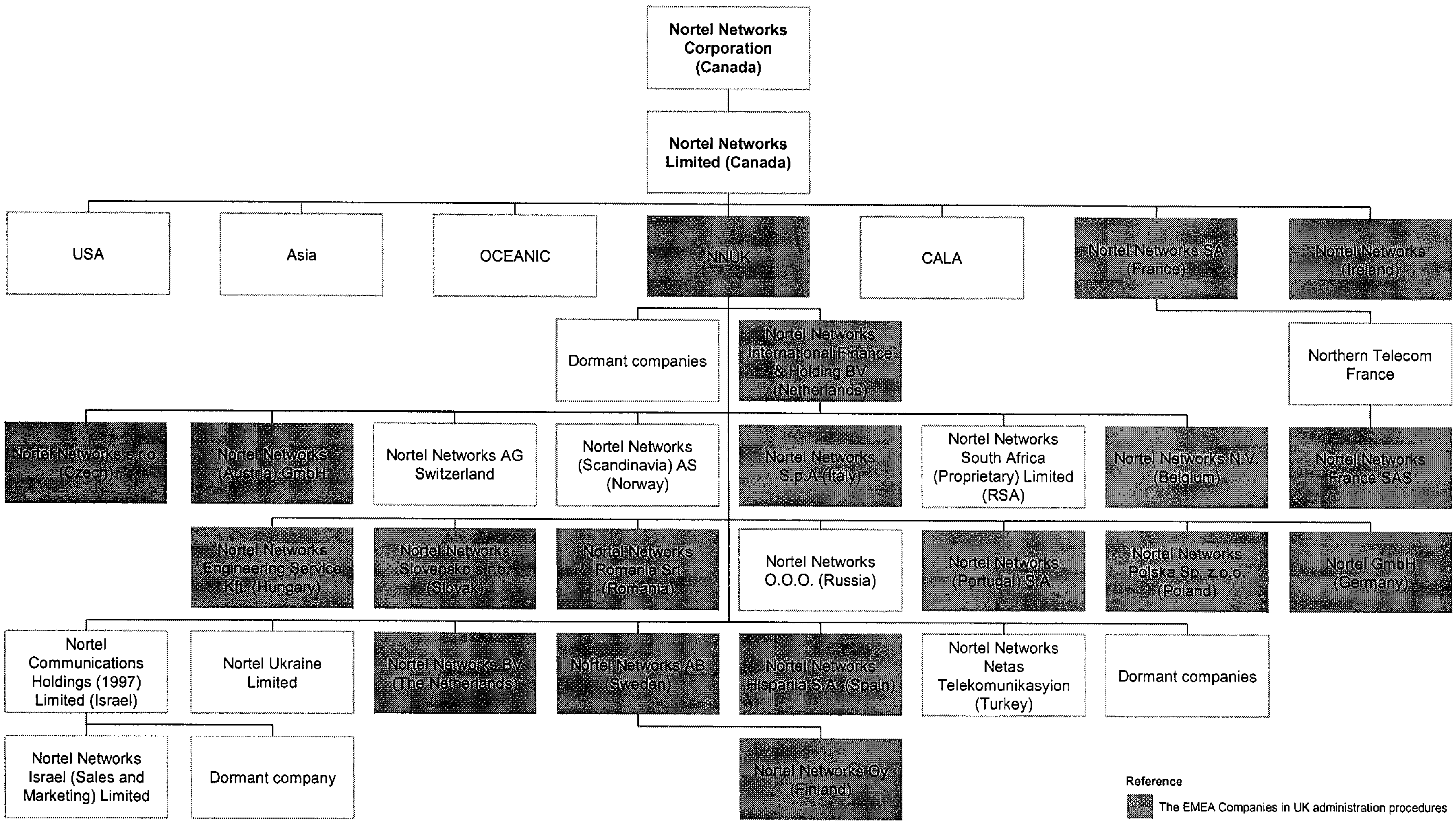
Shareholder

Nortel Networks Limited – 100%

Directors (current and for the last three years) and company secretary (current)

Name	Director or secretary	Date appointed	Date resigned	Current shareholding
Michael Conroy	Director	29/05/2003	08/12/2006	-
Alan Kenny	Director	28/03/2003	31/07/2006	-
Peter Kelly	Director	28/03/2003	27/03/2007	-
Orla Fitzpatrick	Director	03/02/2006	14/01/2009	-
Sharon Rolston	Director	28/08/2006	-	-
David Quane	Director	28/08/2006	-	-
Charles Wade	Director	01/05/2007	12/12/2008	-
Simon Freemantle	Director	14/01/2009	-	-
DHKN Corporate Services - corporate secretary	Secretary	N/A	-	-

Summary of Nortel Group Corporate Structure



The EMEA Companies in English administration proceedings:

Legal Entity	Country of Incorporation
Nortel Networks UK Limited	England
Nortel Networks S.A.	France
Nortel Networks France S.A.S.	France
Nortel Networks (Ireland) Limited	Ireland
Nortel GmbH	Germany
Nortel Networks Oy	Finland
Nortel Networks Romania SRL	Romania
Nortel Networks AB	Sweden
Nortel Networks N.V.	Belgium
Nortel Networks S.p.A.	Italy
Nortel Networks B.V.	Netherlands
Nortel Networks International Finance & Holding B.V.	Netherlands
Nortel Networks Polska Sp. z.o.o.	Poland
Nortel Networks (Austria) GmbH	Austria
Nortel Networks s.r.o.	Czech Republic
Nortel Networks Engineering Service Kft	Hungary
Nortel Networks Portugal S.A.	Portugal
Nortel Networks Hispania S.A.	Spain
Nortel Networks Slovensko s.r.o.	Slovakia

Appendix 2

Nortel Networks (Ireland) Limited (In Administration)

Joint Administrators' Abstract of Receipts and Payments from 14 January 2010 to 13 July 2010

Nortel Networks (Ireland) Limited (in Administration)
Administrators' receipts and payments account for the period: 14 January 2009 to 13 July 2010

Currency: USD	Period 14 January 2009 to 13 January 2010	Period 14 January 2010 to 13 July 2010	Total to 13 July 2010
Opening balance	**59,686,822**		**59,686,822**
Receipts			
Trading:			
- Post appointment sales	221,487,181	39,280,175	260,767,356
- Other taxes	8,783,572	121,466	8,905,038
- Other receipts	175,940	3,457	179,396
- TSA receipts	-	4,876,667	4,876,667
- Property income	59,008	36,065	95,073
Other:			
- Pre appointment sales	103,377,735	-	103,377,735
- Bank interest	396,400	377,050	773,450
	334,279,836	44,694,880	378,974,717
Payments			
Trading:			
- Intercompany	(211,567,835)	(26,835,755)	(238,403,590)
- Payroll, employee benefits, and payroll taxes	(32,819,731)	(3,944,110)	(36,763,841)
- Accounts payable - Inventory related	(15,649,366)	(4,101,093)	(19,750,459)
- Pension contributions	(3,971,167)	(149,198)	(4,120,365)
- Property costs	(2,036,848)	(381,656)	(2,418,504)
- Other payments	(704,402)	(577,031)	(1,281,433)
- Utilities	(497,802)	(417,277)	(915,079)
- Contractors	(214,322)	(110,712)	(325,034)
- Trade payables	(5,009)	-	(5,009)
Other:			
- FX translation movement	4,320,008	(10,522,594)	(6,202,586)
- Joint Administrators' fees and disbursements	(3,639,133)	(124,846)	(3,763,979)
- FX translation movement on FX transactions within the entity	(3,006,908)	803,455	(2,203,453)
- Legal fees	(1,347,196)	(1,248,394)	(2,595,590)
- Restructuring costs	(225,495)	(1,631,122)	(1,856,617)
- Bank charges and interest	(12,506)	(15,419)	(27,925)
	(271,377,713)	(49,255,752)	(320,633,465)
Closing balance	**122,588,945**		**118,028,074**
Account reconciliations:			
Current accounts	21,298,361		6,359,092
Local deposit accounts	102,000		102,000
Administration deposit accounts	101,188,585		111,566,982
	122,588,945		**118,028,074**

Nortel Networks (Ireland) Limited (In Administration)

Joint Administrators' Abstract of Receipts and Payments from 14 January 2010 to 13 July 2010

Nortel Networks (Ireland) Limited (in Administration)
Administrators' receipts and payments account for the period: 14 January 09 to 13 July 10

Currency: EUR	Period 14 January 2009 to 13 January 2010	Period 14 January 2010 to 13 July 2010	Total to 13 July 2010
Opening balance	**46,344,299**		**46,344,299**
Receipts			
Trading:			
- Post appointment sales	158,980,625	29,817,938	188,798,563
- Other taxes	6,305,444	93,880	6,399,324
- Other receipts	126,286	2,724	129,011
- TSA receipts	-	3,703,262	3,703,262
- Property income	42,358	27,377	69,734
Other:			
- Pre appointment sales	74,203,197	-	74,203,197
- Bank interest	284,523	286,234	570,757
	239,942,433	33,931,416	273,873,849
Payments			
Trading:			
- Intercompany	(151,859,199)	(20,369,103)	(172,228,302)
- Payroll, employee benefits, and payroll taxes	(23,558,987)	(2,993,928)	(26,552,915)
- Accounts payable - Inventory related	(11,233,533)	(3,113,099)	(14,346,632)
- Pension contributions	(2,850,623)	(113,255)	(2,963,877)
- Property costs	(1,462,111)	(289,711)	(1,751,821)
- Other payments	(505,633)	(438,389)	(944,022)
- Utilities	(357,337)	(316,750)	(674,087)
- Contractors	(153,847)	(84,040)	(237,887)
- Trade payables	(3,595)	-	(3,595)
Other:			
- FX translation movement	(3,280,965)	6,442,152	3,161,187
- Joint Administrators' fees and disbursements	(2,611,774)	(94,916)	(2,706,690)
- FX translation movement on FX transactions within the entity	(2,160,726)	608,126	(1,552,600)
- Legal fees	(967,031)	(898,400)	(1,865,431)
- Restructuring costs	(161,867)	(1,239,203)	(1,401,070)
- Bank charges and interest	(8,977)	(11,706)	(20,682)
	(201,176,206)	(22,912,220)	(224,088,425)
Closing balance	**85,110,526**		**96,129,723**
Account reconciliations:			
Current accounts	14,786,934		5,179,257
Local deposit accounts	70,816		83,075
Administration deposit accounts	70,252,775		90,867,391
	85,110,526		**96,129,723**

Receipts and payments comments

Notes to R & P

Note 1

Account balances have all been reported in a local currency, Euro, in addition to a common currency across all entities, USD.

Opening balances have been converted using January 2009 month end spot rates and closing balances converted using June 2010 month end spot rates which have been provided by the Company. This approach is in line with the Company's internal reporting procedures.

Transactions that have taken place through the accounts over the course of the reporting period (14 January 2010 to 13 July 2010) have been converted at average spot rates over this period, which have been sourced from the foreign exchange website Oanda.

Consequently, foreign exchange movements have occurred in the period as a result of fluctuations in currency conversion rates. These are translation movements only and do not reflect an actual receipt or payment.

Note 2

The numbers used to prepare the receipts and payments summary have been provided by the Company and are unaudited. Material items have been reviewed for accuracy and reasonableness.

Note 3

The amounts reported are inclusive of sales tax where applicable.

Note 4

All amounts referred to below are in USD unless stated otherwise.

RECEIPTS

There was cash on appointment held in Euro, GBP, CAD, DKK, NOK and USD accounts, which totalled $59.7 million.

Total receipts since 13 January 2010 equate to $44.7 million. This relates to post appointment sales receipts and TSA receipts.

Sales receipts

Post appointment sales receipts collected since 13 January 2010 total $39.3 million.

Transitional Services Agreement ("TSA") receipts

The TSA receipts of $4.9 million represent the reimbursement of costs incurred on behalf of Avaya under the terms of the Enterprise Transitional Service Agreement.

PAYMENTS

Total payments since 13 January 2010 equate to $49.2 million (net of FX translation). This primarily relates to intercompany payments, payroll related costs and accounts payable payments.

Intercompany payments

Intercompany payments total $26.8 million since 13 January 2010. This relates primarily to payments to Nortel Germany GmbH, Nortel UK Ltd and Nortel Netherlands Holding BV.

Payroll

Payroll costs since 13 January 2010 total $3.9 million and include net pay in addition to employee expenses, employee benefits and payroll taxes.

Accounts payable

Inventory related accounts payable since 13 January 2010 total $4.1 million. This primarily relates to payments in respect of goods supply.

Restructuring costs

Restructuring costs since 13 January 2010 total $1.6 million. This relates to costs associated with redundancies, such as severance pay.

Foreign exchange translation movement

The total FX translation movement to 13 July 2010 is a result of the appreciation of the USD against the Euro. The translation movement shown since 13 January 2010 is simply the difference between the FX movement for the total period and that reported previously to 13 January 2010. As such the interim FX translation movement does not represent a true FX translation loss for the period.

Appendix 3

Nortel Networks (Ireland) Limited (In Administration)

Summary of Joint Administrators' time costs from 7 November 2009 to 4 June 2010 (GB£)
Excluding core M&A transaction time

	Rank									
Activity	Partner / Executive Director	Director	Assistant Director	Manager	Executive	Analyst	Total sum of hours	Average hourly rate	Time costs for period	Time costs for the Adminstration to date
Tax / VAT advisory and compliance	24.13	111.75	58.79	28.56	5.82	9.33	238.39	537.68	128,180.84	380,407.45
Treasury / Banks	-	21.00	-	-	373.50	-	394.50	220.19	86,865.37	245,637.54
Employees	27.00	96.50	61.50	-	-	-	185.00	455.20	84,211.56	250,561.35
Property	-	154.00	-	16.70	10.00	0.50	181.20	458.86	83,145.86	130,278.22
M&A	47.00	81.40	3.00	24.50	-	0.30	156.20	502.50	78,490.00	169,560.88
Debtors	-	62.30	-	40.50	146.50	-	249.30	312.92	78,010.37	272,764.20
Case management	-	43.20	-	11.00	179.30	245.90	479.40	124.36	59,619.13	244,388.39
Creditors	-	27.00	-	50.00	8.00	4.10	89.10	400.09	35,647.94	136,623.39
Finance, accounting & administration	2.00	3.00	-	8.00	103.50	22.50	139.00	213.47	29,671.91	198,769.19
Trading: Cash flow / Forecast	-	7.00	-	-	111.00	-	118.00	223.95	26,425.91	170,425.18
Pensions	-	47.50	-	-	-	0.60	48.10	473.45	22,772.99	91,278.92
Legal	27.00	6.00	-	-	13.00	-	46.00	464.16	21,351.33	78,845.00
Outcome for Creditors	-	-	-	18.00	1.00	69.00	88.00	216.02	19,010.00	19,010.00
Other Assets	-	26.00	-	-	-	-	26.00	482.11	12,534.78	35,794.58
Report to Creditors	-	13.00	-	-	9.90	12.00	34.90	294.64	10,282.88	112,109.78
Customers	-	15.00	-	-	2.50	-	17.50	526.43	9,212.50	77,118.50
Suppliers	-	18.00	-	-	-	1.20	19.20	463.30	8,895.34	112,610.03
Statutory	-	8.50	-	-	4.30	9.30	22.10	306.38	6,771.03	53,295.58
Liaising Directors/Communications	-	14.00	-	-	-	-	14.00	476.91	6,676.77	71,467.50
Creditors Committee	-	-	-	-	9.50	24.60	34.10	158.99	5,421.50	21,262.52
Exit Strategy (EMEA)	-	-	-	8.00	-	-	8.00	360.00	2,880.00	2,880.00
Trading: Finance Director	-	1.00	-	-	-	-	1.00	478.89	478.89	10,716.63
Strategy: Core	0.50	-	-	-	-	-	0.50	670.00	335.00	2,443.16
Stabilisation	-	-	-	-	-	-	-	-	-	23,676.00
Administration application and planning	-	-	-	-	-	-	-	-	-	21,480.00
Briefing EMEA	-	-	-	-	-	-	-	-	-	7,463.91
Transfer Pricing	-	-	-	-	-	-	-	-	-	2,444.70
ROT	-	-	-	-	-	-	-	-	-	1,698.55
Canada / USA	-	-	-	-	-	-	-	-	-	679.00
Grand Total	127.63	756.15	123.29	205.26	977.82	399.33	2,589.49	315.46	816,891.89	2,945,690.16
Average hourly rate	627.63	502.83	421.82	386.46	195.57	85.16				
Time costs for the period	80,106.60	380,216.03	52,007.62	79,324.40	191,231.70	34,005.54				
Time costs for the Administration to date	304,855.49	1,237,987.86	361,744.14	293,288.82	685,969.02	61,844.84				

Administration fee analysis (in GB£)

Summary of total core M&A transactions time costs for all EMEA filed entities from 7 November 2009 to 4 June 2010

	Rank									
Activity	Partner / Executive Director	Director	Assistant Director	Manager	Executive	Analyst	Total hours	Average hourly rate	Time costs for the period	Time costs for the Administration to date
M&A / Transitional Services	16.60	108.20	1,362.00	3,002.00	3,251.00	363.50	8,103.30	397.65	3,222,305.00	6,465,396.00
Purchase Price Allocatio	234.50	382.70	628.70	1,188.10	275.50	195.70	2,905.20	420.65	1,222,080.00	1,507,784.00
M&A / Netas	200.00	241.00	54.50	705.70	110.50	455.40	1,767.10	398.74	704,619.67	1,743,874.21
M&A / Carrier	242.20	431.50	380.40	85.30	-	28.00	1,167.40	597.41	697,422.00	1,072,408.50
M&A Snow	126.90	328.40	610.20	10.00	27.40	-	1,102.90	591.31	652,161.00	1,468,438.50
M&A / GSM	192.20	212.10	311.30	4.80	308.50	-	1,028.90	526.92	542,153.00	1,349,604.00
M&A / Equinox	57.30	323.30	167.40	33.70	90.60	24.00	696.30	614.38	427,792.50	4,254,020.00
M&A / Passport	7.50	233.00	163.00	18.70	-	-	422.20	545.45	230,287.00	230,287.00
Other Assets	40.90	33.00	163.50	11.50	-	-	248.90	524.50	130,548.00	218,958.92
M&A / Velocity	1.50	-	3.00	-	-	-	4.50	771.67	3,472.50	92,946.00
Sale & MA	-	-	-	-	-	-	-	-	-	563,375.00
Grand Total	**1,119.60**	**2,293.20**	**3,844.00**	**5,059.80**	**4,063.50**	**1,066.60**	**17,446.70**	**448.96**	**7,832,840.67**	**18,967,092.13**
Average hourly rate	**686.38**	**655.25**	**546.36**	**405.05**	**299.88**	**181.40**				
Time costs for the period	**768,472.00**	**1,502,613.00**	**2,100,209.50**	**2,049,496.00**	**1,218,568.52**	**193,481.65**				
Time costs for the Administration to date	**2,515,316.19**	**3,513,068.91**	**5,736,234.08**	**4,146,857.00**	**2,654,581.52**	**401,034.44**				

Total time costs for the Administration from 7 November 2009 to 4 June 2010

Time costs for the administration during the period 7 Nov 2009 to 4 Jun 2010	£
Administration time costs excluding transactions costs	816,891.89
Provisional estimated allocation of core M&A transaction time costs (Note)	257,505.41
Total time costs for the administration	**1,074,397.30**

Note

Time costs in respect of transactions for the period 7 November 2009 to 4 June 2010 have been apportioned on a provisional basis, having regard to the nature of the work done and the extent of progress made in respect of some, but not all, core M&A transactions. The allocation is provisional and will change as the transactions progress and the outcome of the PPA is clear.

Please note the Joint Administrators have only apportioned core M&A transactions time costs in respect of those transactions that have made sufficient progress. Therefore further core M&A transactions time costs will be apportioned in due course to the Company, and reapportioned as the outcome of the PPA process becomes clear.

Nortel Networks (Ireland) Limited (In Administration)

Office Holders' Charging Policy for Fees

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Rules. Further information is given in the Association of Business Recovery Professionals' publication "*A Creditors' Guide to Administrators' Fees*", a copy of which may be accessed from the web site of the Insolvency Practitioners Association at http://www.insolvency-practitioners.org.uk (follow 'Regulation and Guidance' then 'Creditors' Guides to Fees'), or is available in hard copy upon written request to the Administrators.

The creditors have determined that the Administrators' remuneration should be fixed on the basis of time properly spent by the Administrators and their staff in attending to matters arising in the Administration.

The Administrators have engaged managers and other staff to work on the cases. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the Company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Administrators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period as shown above, are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report.

Office Holders' Charging Policy for Disbursements

Statement of Insolvency Practice No. 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the Committee. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from Creditors' Committee as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.

Rule 2.47 Form 2.24B

The Insolvency Act 1986

Administrator's progress report **2.24B**

Name of Company	Company number
Nortel Networks (Ireland) Limited	40287

In the	Court case number
High Court of Justice of England and Wales, Chancery Division, Companies Court	541 of 2009

We AR Bloom and D Hughes

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

administrators of the above company attach a progress report for the period

from	to
14 January 2010	13 July 2010

Signed

Joint Administrator

Dated 6 August 2010

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

Deirdre Coakley	
Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2, Ireland	
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Companies House receipt date barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ **DX 33050 Cardiff**