

NOTICE REGARDING A GENERAL UPDATE ON PROGRESS AND THE ESTIMATED OUTCOME TO CREDITORS OF NORTEL NETWORKS UK LIMITED - 20 OCTOBER 2020

Nortel Networks UK Limited (In Administration) ("the Company" or "NNUK")

We write to provide a general update in respect of the Administration of the Company.

This update should be read in conjunction with the Joint Administrators' previous annual progress reports as well as the Joint Administrators' Statement of Proposals, dated 23 February 2009, and interim update, dated 10 November 2016.

Statutory information about the Company, the Administration and the office holders is given at Appendix 1.

Please note that this update 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 update 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, Nortel Networks International Finance & Holding B.V. ("NNIFH"), its Joint Liquidators or Ernst & Young LLP shall have any responsibility to any person who relies on our update for the purpose of trading in debt of the Company.

1. Progress of the Administration

Brief Background

NNUK was placed into Administration on 14 January 2009, together with 18 other European Nortel entities. On the same day, other principal companies in the Nortel Group (based in the US and Canada) also commenced insolvency proceedings.

Following the appointments, it was determined that it was in the best interests of the Nortel Group for the entities to collaborate in selling the assets of the Group in a coordinated manner in order to maximise sales proceeds.

Following the successful sale of the global businesses and associated group assets during 2009 to 2011, approximately US\$7.3bn (net) was placed into escrow. The different Nortel Group companies were unable to reach agreement on the allocation of the sales proceeds and a period of extensive negotiation, mediation and litigation followed before a global settlement was reached in October 2016.

On 12 October 2016, the Joint Administrators entered into arrangements with companies in the wider Group to initiate steps to end and settle the purchase price allocation dispute. The settlement which was approved by Courts in the USA, Canada, England and France became fully effective on 8 May 2017 and the NNUK received its share of the global proceeds, being \$1.08bn, with the other EMEA Nortel entities receiving c.\$272.5m from the locked box proceeds at the same time.

During the summer of 2017, the Joint Administrators launched simultaneous Company Voluntary Arrangement processes ("CVAs") in respect of 15 of the Nortel group companies (all filed entities) excluding NNUK, Nortel Networks S.A. ("NNSA"), Nortel Networks Oy ("Finland") and Nortel Networks SRL ("Romania"), with the aim of creating an effective mechanism to release certain liabilities (e.g. the Financial Support Direction ("FSD") and potential snap-back claims) and facilitate expeditious distributions to creditors. The CVA in respect of Nortel Networks S.A. (France) was launched on 5 October 2018. The Joint Administrators act/acted as the Joint Supervisors of the CVAs.

In the remainder of this update, certain further information about the status of the companies that have been in administration and subject to a CVA is set out on an entity by entity basis. We provide certain further information in respect of NNIFH and its equity interests (being the most significant source of potential future recoveries to NNUK) followed by NNUK's other equity interests. We provide an updated estimated outcome statement as at 4 September 2020, certain statutory information in respect of NNUK and a summary group structure.

2. Updates on the Group

NNUK acts as parent company to certain of Nortel's EMEA area group of companies. A copy of the Nortel Group structure is enclosed at Appendix 2.

NNUK has a number of equity interests being NNIFH, Nortel AB (Sweden), Nortel AG (Switzerland) (both via NNIFH), Nortel Networks (Northern Ireland) Limited and Nortel Networks Australia Pty Ltd, which are expected to bring value to NNUK in due course, and a number of pre-appointment intercompany claims against certain EMEA and global Nortel companies. It is anticipated that NNUK will be the last entity in the EMEA group to be dissolved. The term "dissolved" is used generically throughout this update and includes ex-officio deletions in certain jurisdictions.

The Joint Administrators note that the COVID pandemic has impacted the timing of certain aspects within the administration of NNUK and on the winding up of the companies within the wider Nortel group and will continue to do so for the foreseeable future.

<i>Legal Entity</i>	<i>Country of Incorporation</i>	<i>Status</i>
Nortel Networks UK Limited	UK	In Administration
Nortel Networks (Ireland) Limited	Ireland	In Administration and subject to a CVA
Nortel Networks S.A.	France	In Administration, liquidation judiciaire and subject to a CVA
Nortel Networks S.p.A.	Italy	In Administration and subject to a CVA
Nortel Networks International Finance & Holding B.V.	Netherlands	In solvent liquidation proceedings (in accordance with local laws) and previously in Administration and CVA
Nortel Networks Slovensko s.r.o.	Slovakia	In solvent liquidation proceedings (in accordance with local laws) and previously in Administration and CVA
Nortel Networks AB	Sweden	In solvent liquidation proceedings (in accordance with local laws) and previously in Administration and CVA
Nortel Networks Polska Sp. z o.o.	Poland	In solvent liquidation proceedings (in accordance with local laws) and previously in Administration and CVA
Nortel Networks France S.A.S.	France	Dissolved on 30 October 2019
Nortel Networks Oy	Finland	Dissolved on 10 December 2019
Nortel Networks Romania Oy	Romania	Dissolved on 6 December 2019
Nortel Networks N.V.	Belgium	Dissolved on 4 July 2019
Nortel Networks B.V.	Netherlands	Dissolved on 3 June 2020
Nortel Networks (Austria) GmbH	Austria	Dissolved on 1 July 2020
Nortel Networks s.r.o.	Czech Republic	Dissolved on 4 October 2019
Nortel Networks Engineering Service Kft	Hungary	Dissolved on 4 December 2019
Nortel Networks Portugal S.A.	Portugal	Dissolved on 11 June 2019

Nortel Networks Hispania S.A.	Spain	Dissolved on 1 October 2019
Nortel Networks GmbH	Germany	Dissolved on 21 July 2020
Nortel Networks AG	Switzerland	Non-filed company in solvent liquidation proceedings (in accordance with local laws)
Nortel Networks South Africa (Proprietary) Limited	South Africa	Non-filed company in solvent liquidation proceedings (in accordance with local laws)
Nortel Networks AS	Norway	Dissolved on 10 October 2019
Nortel Networks (Northern Ireland) Limited	Northern Ireland	In solvent liquidation proceedings (in accordance with local laws)
Nortel Communications Holdings (1997) Limited	Israel	Dissolved
Nortel Networks Israel (Sales and Marketing) Limited	Israel	Dissolved
Nortel Ukraine Limited	Ukraine	Out of Scope entity and Dissolved
Nortel Networks AB Denmark Branch	Sweden	Out of Scope entity and Dissolved
Nortel Networks O.O.O.	Russia	Out of Scope entity and Dissolved
Northern Telecom France S.A.	France	Out of Scope entity and Dissolved on 21 December 2018
Other dormant entities		There are certain other dormant entities that are not expected to deliver value to group.

Nortel Networks International Finance & Holding B.V. (in local solvent liquidation) (“NNIFH”)

The liquidation of NNIFH is ongoing with EY staff/partners appointed as the Joint Liquidators. You will note from the group structure in Appendix 2 that NNIFH has a number of subsidiaries across EMEA, some of which continue to be wound down.

The Joint Administrators of NNUK understand that NNIFH has cash at bank of approximately £17.3m. This is exclusive of potential recoveries from Nortel Networks AG (Switzerland) of approximately £2.3m and Nortel Networks AB (Sweden) of approximately £2.5m which are assumed to flow through to NNUK once realised and the Swiss entity is dissolved. NNIFH's estimated costs to closure are expected to be approximately £3.7m. The remaining balance is categorised by the Joint Liquidators of NNIFH as reserves for potential future costs and all liabilities, of which approximately £13m is retained as a general reserve.

Further information in respect of the reserves held at NNIFH may be obtained by contacting the Joint Administrators using the claims@emeanortel.com email address. Such information will only be released subject to the execution of a confidentiality agreement in a form prescribed by the Joint Administrators.

Before a final distribution is made by NNIFH, the Joint Liquidators will require that NNIFH has dissolved or disposed of all of its subsidiaries.

Nortel Networks AB (in a local solvent liquidation)

The liquidation is ongoing, and the joint liquidators are one EY liquidator and one local Swedish liquidator (not associated with EY). The liquidators have commenced the planning for the dissolution of the entity and in the Joint Liquidators' final report for the financial period 1 January 2020 to 12 June 2020, it showed an equity surplus to the shareholder, NNIFH, of approximately £2.5m before the end of 2020.

Nortel Networks AG (in a local solvent liquidation)

A local Swiss liquidator was appointed over this company in June 2018. The liquidator has commenced the planning for the dissolution. It is anticipated that a final equity distribution to NNIFH of approximately £2.3m will be made. The liquidation of the company is ongoing and the impact of COVID-19 may potentially delay the closure. The Joint Liquidators of NNIFH will only likely be in a position to upstream value to NNUK when Nortel Networks AG is dissolved.

Nortel Networks S.p.A. (in administration and subject to a CVA)

Creditors have already been paid 95c in the euro in respect of their claims. The Joint Administrators of Nortel Networks S.p.A. in their latest progress report dated 13 August 2020 advised that the Joint Supervisors anticipate that they will make a further distribution to unsecured creditors with allowed CVA claims in 2020. The Joint Supervisors of Nortel Networks S.p.A. estimate that unsecured creditors in the CVA may, subject to any unforeseen issues to the closure of the Administration, receive aggregate dividends equating to full recovery of 100p in the £ of their CVA Claims. Please refer to the latest Progress Report from the Joint Administrators' of Nortel Networks S.p.A. for further information on the distributions already paid, ongoing matters and estimated outcome.

Nortel Networks Slovensko s.r.o. (in a local solvent liquidation)

The company was placed into a solvent liquidation (under Slovakian law) on 1 June 2020. All creditors (except NNUK's subordinated intercompany claim) were paid 100% of their claims by the former Joint Supervisors of the CVA. There were insufficient assets to pay Commercial Interest or NNUK's subordinated intercompany claim. All distributions have now been paid and the CVA was terminated on 15 November 2019. The liquidation of the company is ongoing.

Nortel Networks Polska Sp. z o.o. (in a local solvent liquidation)

The Company was placed into a solvent liquidation (under Polish law) on 17 September 2020. All creditors (except NNUK's subordinated intercompany claim) have been paid 100% of their claims plus Commercial Interest (as per the terms of the CVA). NNUK has received 100% of its subordinated intercompany claim, however, there were insufficient assets to pay commercial interest against this claim. All distributions have now been paid and the CVA was terminated on 10 December 2019. The liquidation of the company is ongoing.

Nortel Networks South Africa (Proprietary) Limited (in a local solvent liquidation)

The company was placed into a solvent liquidation (under South African law) on 15 April 2019 and a local liquidator was appointed. All distributions have now been paid, the liquidation concluded and the Master of the High Court to the companies office has confirmed that the affairs of the company were completely wound up with effect 18 September 2020.

Nortel Communications Holdings (1997) Limited (in a local solvent liquidation process)

The company is dissolved.

Nortel Networks Israel (Sales and Marketing) Limited

The company is dissolved.

Nortel Networks S.A. (in administration and subject to a CVA)

The Joint Supervisors of NNSA's CVA have to date paid distributions totalling 64c in the euro to creditors with agreed claims and it is expected that an additional distribution will be paid in due course. Please refer to the latest Progress Report from the Joint Administrators' of NNSA for further information on the distributions and ongoing matters.

Update on NNUK's other shareholdings

NNUK holds c. 98% of the shares in Nortel Networks Australia Pty Ltd (In Liquidation) ("NNA") which is in a (solvent) members' voluntary liquidation in Australia and has been in liquidation since October 2012. NNA was the Australian subsidiary of the Nortel Group. We understand that NNA currently has c.AUD 2.1m cash at bank and is currently seeking to make further recoveries in respect of intercompany claims that it has per the Nortel 4th Estate Settlement Agreement. The Joint Liquidators of NNA have recently advised that the liquidation may continue until February 2023.

In order to expedite the winding up of NNUK and more broadly the Nortel EMEA estate, the Joint Administrators of NNUK intend to commence a sale process for the shareholding in NNA. The sale may take up to six months to complete as due to COVID-19, the Australian Government's Foreign Investment Review Board ("FIRB") has revised its requirements for foreign investment and now requires all foreign buyers to obtain approval from FIRB prior to the sale being completed.

NNUK holds 100% of the shares in Nortel Networks (Northern Ireland) Limited (in Liquidation) ("NNNI") which is subject to a (solvent) members' voluntary liquidation in Northern Ireland and has been in liquidation since 16 August 2016. We understand that Nortel Networks (Northern Ireland) Limited currently holds cash of c.£2.2m.

The Joint Liquidators of NNNI have identified a possible gap in the insurance coverage of the company and are trying to clarify with certain insurance providers whether this is the case. In the event that there is a gap in the insurance coverage, the Joint Liquidators will need to take appropriate steps to remedy this. If remediation is required, it is not anticipated that this will have a material impact on the funds available to the shareholder. Once the position has been established, and if necessary, corrected, the Joint Liquidators will seek final tax clearance from HMRC and pay a first and final distribution of the surplus funds to its shareholder, NNUK, and take the necessary steps to conclude the liquidation and dissolve the company.

Update on certain other entities

Whilst Nortel Networks (Ireland) Limited is not a subsidiary of NNUK, it is a significant debtor of NNUK and so a summary of the company's current status is provided for completeness.

Nortel Networks (Ireland) Limited is in Administration and subject to a CVA. Creditors have been paid 100% of their claims and also an element of Commercial Interest. The Joint Administrators in their latest progress report dated 13 August 2020 anticipated that they will be in a position to pay a further element of post-petition interest on allowed claims before the end of 2020. They are unable to provide an indication as to the anticipated p in the £. Please refer to the latest Progress Report from the Joint Administrators of Nortel Networks (Ireland) Limited for further information on the distributions already made and ongoing matters.

3. Updated Estimated Outcome Statement

The Joint Administrators of NNUK have paid total distributions in the administration to date of 47.4p in the pound (GBP) which equates to total payments of approximately £1,069.34m to unsecured creditors. Based upon current information it is estimated that further distributions of between c.0.957p and c.1.468p in the pound (GBP) may be paid in the fullness of time. Please refer to the Estimated Outcome Statement in section 2 for further details. The Joint Administrators are currently considering the possibility of a small sixth interim distribution later this year subject to realising certain anticipated recoveries referred to in this update. Such a distribution may comprise some or all of the sale proceeds of NNUK's shareholding in NNA and/or any distributions received from Nortel Sweden and Nortel Switzerland (via NNIFH) and/or any distribution received directly from NNNI. This is expected to be followed by a final seventh distribution to be paid at the conclusion of the administration. The Joint Administrators will continue to monitor the situation in this regard.

Please refer to the latest Joint Administrators' Progress Report for further information on prior distributions and ongoing matters.

Nortel Networks UK Limited (In Administration) - 4 September 2020

DRAFT, ILLUSTRATIVE AND SUBJECT TO CHANGE - STRICTLY CONFIDENTIAL

Sixth and final dividend as at 04/09/2020

	Illustrative sixth and final dividend £	Illustrative sixth and final dividend (no provisions) £
NNUK cash as at 4 September 2020	21,874,664	21,874,664
Estimated future receipts		
NNIFH	13,700,000	13,700,000
Nortel Sweden	2,514,000	2,514,000
Nortel Switzerland	2,300,000	2,300,000
Other equity interests and recoveries	4,220,000	4,220,000
	<u>22,734,000</u>	<u>22,734,000</u>
Estimated costs to closure		
Top up dividends and reserves in respect of pre-petition claims	(6,214,418)	(2,505,365)
Estimated costs and reserves to closure	(9,761,384)	(8,911,384)
General contingency	(7,000,000)	0
	<u>(22,975,803)</u>	<u>(11,416,749)</u>
Cash available for distribution to unsecured creditors	21,632,861	33,191,914
Total creditor claims (adjudicated and unadjudicated claims received to date @100p/£)	2,260,920,626	2,260,920,626
p in the £ distribution potentially made post above future receipts	0.957	1.468

Notes and assumptions

This estimated outcome statement provides a Lower and Higher estimated outcome for unsecured creditors. Please note that these are indicative estimates and do not set out the highest and lowest possible outcomes.

The Joint Administrators note that the difference between the Lower estimated outcome and the Higher estimated outcome is driven by provisions for scenarios that may or may not impact the ultimate financial return to unsecured creditors.

1. Cash at bank is stated as at 4 September 2020.
2. Estimated future receipts are an estimate of receipts from the Company's subsidiaries either by way of a return of equity or as a result of having admitted unsecured claims into subsidiary entities. They include estimated upstream recoveries from certain solvent entities as detailed above and including; NNIFH £13.7m, Nortel Networks AB (Sweden) £2.5m, Nortel Networks AG (Switzerland) £2.3m and other equity interests and receipts from admitted claims into other estates in the group of £4.22m.
3. Estimated costs to closure are an estimate of future costs to the end of the Administration. The costs estimate includes estimated office holder fees, legal and professional fees and other estate maintenance costs. Forecast costs are shown net of VAT as it is assumed that input VAT is fully recoverable.

4. Reserves held for identified potential costs of the administration do not constitute acceptance of any payment being required.
5. The Joint Administrators are retaining certain reserves, inter alia for pre-petition liabilities per the Company's books and records where no claim has yet been received and some or all of these are expected to be released at the final distribution.

4. Links to helpful documentation

Please see the below links to reports and documents (on the Nortel website) which may be helpful for assessing the current position of the Administrations:

- CVA terminations / final reports - <https://cva.emeanortel.com/information.html>
- Court Order for Administration exits for Austria, Germany, Netherlands and Slovakia - <http://www.emeanortel.com/notice/20200407-1/>
- Progress reports - <https://www.emeanortel.com/proceedings.html>
- Declaration of dividends - <https://www.emeanortel.com/>

The Institute of Chartered Accountants in England and Wales in the UK authorises A R Bloom and S J Harris to act as Insolvency Practitioners under section 390A(2Xa) of the Insolvency Act 1986 and the Insolvency Practitioners Association in the UK authorises A M Hudson to act as Insolvency Practitioner under section 390A(2Xa) of the Insolvency Act 1986.

The affairs, business and property of the Company are being managed by the Joint Administrators, A R Bloom, S J Harris and A M Hudson who act as agents of the Company only and without personal liability.

Please note that this update is provided pursuant to our appointments as Joint Administrators of the Company. It is provided solely for the purpose of informing you 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, Nortel Networks International Finance & Holding B.V. ("NNIFH") or Ernst & Young LLP shall have any responsibility to any person who relies on our Report for the purpose of trading in debt of the Company.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Companies may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix 1

Nortel Networks UK Limited (In Administration)

Company Information

Registered number:	03937799
Company name:	Nortel Networks UK Limited
Registered office address	Unit 120, 400 Thames Valley Park Drive, Thames Valley Park, Reading, Berkshire, RG6 1PT
Previous names:	Nortel Networks Holdings Limited Nortel Networks Holdings plc

Details of the Administrators and of their appointment

Administrators:	A R Bloom, A M Hudson and S J Harris of Ernst & Young LLP, 1 More London Place, London, SE1 2AF C J W Hill resigned as an administrator of the Company on 20 September 2017 on account of his retirement.
Office holder number(s):	6462, 9200 and 8624
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, Business and Property Courts of England and Wales, Insolvency and Companies List - case 536 of 2009 / CR-2016-006154
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.
Telephone number:	+44 (0) 20 7951 4081
Name of alternative person to contact with enquiries about the case:	Alex Slade

Statement Concerning the EC Regulation on Insolvency Proceedings 2000

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	1,468,100,001	1,468,100,001	1,468,100,001	1,468,100,001

Shareholders

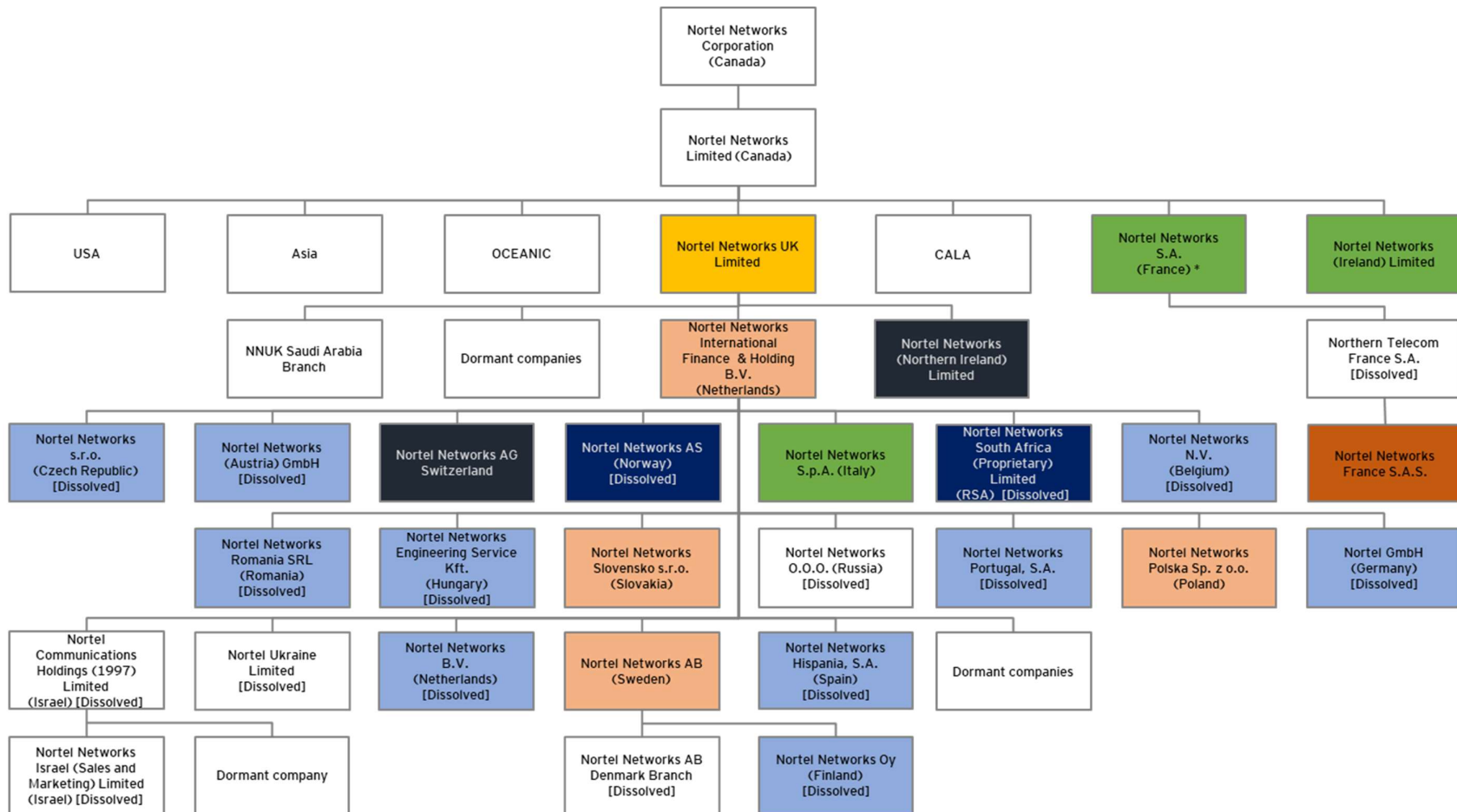
Nortel Networks Limited - 100%

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









Name	Director or secretary	Date appointed	Date resigned	Current shareholding
Simon Freemantle	Director	31/3/2017	-	-
David Quane	Director	30/09/2010	-	-
Brenda Dandridge	Secretary	01/12/2010	31/12/2016	-
Lynne Powell	Secretary	01/01/2017	-	-

Summary of Nortel Group Structure

Appendix 2



Reference

- | | | |
|--|---|--|
|  The EMEA Companies in UK administration procedures |  The EMEA Companies previously in UK Administration procedure and now in liquidation proceedings (in accordance with local laws) |  The non-filed EMEA Companies in solvent liquidation proceedings (in accordance with local laws) |
|  The EMEA Companies in UK administration procedures and subject to a CVA |  The EMEA Companies previously in UK Administration procedure and now dissolved (in accordance with local law) |  The non filed EMEA Companies previously in solvent liquidation proceedings and now dissolved (in accordance with local laws) |
|  The EMEA Companies in UK administration procedures and formerly subject to a CVA |  The EMEA Companies previously in UK Administration procedure and now merged with Nortel Networks S.A. | |

* Nortel Networks International Finance & Holding B.V. (in liquidation) retains an equity interest in Nortel Networks S.A.