

TO ALL FORMER KNOWN CREDITORS

15 April 2019

Ref: MLP/5W/SJH/BT/SF

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Dear Sirs

Nortel Networks N.V. (in Administration and formerly subject to a Company Voluntary Arrangement (“CVA”)) (the “Company”)

In the High Court of Justice, Business and Property Courts of England & Wales, Companies and Insolvency List (ChD) No. 530 of 2009 / CR-2009-000034.

Incorporated in Belgium with registered number Brussels 378 358. The Company's registered address is c/o Regus, Pegasuslaan 5, 1831 Diegem, Belgium.

Joint Supervisors' Final CVA Progress Report

I write to provide you with the Joint Supervisors' final progress report (“Final Report”), which includes details of the outcome of the CVA of the Company. This Final Report covers the period from 31 May 2018, the date after the period covered in the first annual CVA progress report, to 4 April 2019, being the date the CVA was terminated, and should be read in conjunction with the CVA Proposal dated 5 April 2017 and the annual CVA progress report dated 30 July 2018. The Company is also in Administration and this Final Report should be read in conjunction with the Joint Administrators' previous reports, the Joint Administrators' Statement of Proposals, dated 23 February 2009 and interim update, dated 15 November 2016, as well as the most recent Administration progress report dated, 11 February 2019.

Additional copies of this Final Report, and the previous reports referred to, can be made available on request or can be obtained at the following websites: www.emeanortel.com and www.cva.emeanortel.com.

Capitalised terms used in this Final Report shall have the same meaning as set out in Annex 1 (*Definitions and Interpretation*) of the CVA.

Brief Background

On 5 April 2017, the Joint Administrators issued the Proposal for a CVA. A CVA is a legal process often used to facilitate distributions to creditors in complex situations. The CVA also provided a platform to resolve, in an equitable way, the threat of the Financial Support Directives (“FSD”) that had been brought by the UK Pension Regulator (the “Regulator”) against the Company and certain other EMEA entities in the Nortel group.

In summary the proposed CVA sought to:

- Resolve the FSD claim which could have otherwise significantly diluted returns to creditors;
- Provide a mechanism for the Joint Administrators as Joint Supervisors to determine creditor claims and distribute funds as quickly as possible; and
- Impose a bar date, being 2 October 2017 (the "Bar Date"), by which pre-appointment claims against the Company were to be submitted to the Joint Supervisors, allowing distributions to occur in a timely manner.

On 31 May 2017, meetings of both the Company's creditors and members were held to vote on the Proposal. The Proposal was approved by both the Company's creditors and members and the Effective Date occurred on 1 June 2017.

The CVA was being supervised by the Joint Supervisors, being A R Bloom, S J Harris, A M Hudson and J Hewitt-Schembri, who acted as agents of the Company and without personal liability.

Claim adjudication and distributions to creditors

In accordance with the Terms of the CVA, the Joint Supervisors adjudicated the CVA Claims received in advance of the Bar Date. The total value of claims submitted was £2,160,142,902.15 (including a significant contingent claim submitted by the UK Pension Regulator), of which £12,024,927.74 was admitted for payment and £2,148,117,974.41 was rejected.

In December 2017, having adjudicated the majority of the claims, the Joint Supervisors determined that they were in a position to make a first distribution to unsecured creditors in accordance with the terms of the CVA. On 5 December 2017, the Joint Supervisors declared and paid an initial distribution of 100p in the pound (GBP) to admitted Local Priority Claims and 95p in the pound (GBP) to creditors with non-subordinated, admitted Allowed CVA Claims without Local Priority status (net of any applicable taxes).

On 17 August 2018, the Joint Supervisors declared and paid a second interim distribution of 5p in the pound (GBP) to unsecured non-subordinated creditors with Allowed CVA Claims and post-petition interest at a commercial interest rate of 4.13% per annum, in line with the Terms of the CVA. In addition, the Joint Supervisors declared and paid an interim distribution of 12.5p in the pound (GBP) to CCAA Subordinated Claims.

Subsequently, on 20 February 2019, the Joint Supervisors gave notice of the making of a third and final distribution in respect of CCAA Subordinated Claims of 15.6p in the pound (GBP). On 26 March 2019, the Joint Supervisors gave notice of postponement of this distribution to 2 April 2019, on which date the final distribution was paid in respect of the CCAA Subordinated Claim. There was insufficient cash available to pay the subordinated and CCAA subordinated claims in full.

Given that all non-subordinated unsecured creditors with provable CVA Claims have been paid in full, it has been determined that the CVA has been successfully completed and should be terminated.

CVA Termination

Following payment of the final distribution on 2 April 2019, the CVA Supervisors were in a position to terminate the CVA on the basis that they were satisfied that:

- CVA Claims had been adjudicated and admitted in whole or in part as Allowed Claims or rejected;
- There were no CVA Claims that were Disputed Claims;
- On making the final Distribution, all Allowed Claims (excluding the Subordinated and CCAA Subordinated Claims from NNUK had been paid in full;
- Following the making of the final Distribution, the CVA had achieved its main objectives; and
- Following the termination of the CVA, it would be possible for the Joint Administrators to seek discharge from office and ultimately the dissolution of the Company in accordance with Belgian law.

Notwithstanding the forementioned, following the final Distribution, the Joint Supervisors were aware that three creditors, who were distributed to by cheque, had not cashed their cheques. These cheques totalled £93,127.56 in value. The implication of this was that, absent a modification of the CVA, the CVA would be required to continue for a period of one year from the issue of the uncashed cheques. Only after the expiry of this period could the funds be returned to the Joint Administrators and the CVA be terminated.

Given this, the Joint Supervisors determined, that it was in the best interests of the CVA Creditors and expedient to modify the CVA to the effect that if there were any cheques uncashed at the time when the CVA was terminated, the Company would transfer the value of these cheques to Nortel Networks UK Limited (in Administration) (“NNUK”) and that NNUK would hold these funds for the benefit of the beneficiaries of these cheques for a period of one year from the date of the final distribution, at which time any unclaimed funds will be donated to a registered charity.

A copy of the CVA modification can be located on the Nortel website www.emeanortel.com.

The CVA was terminated on 4 April 2019 and in accordance with the CVA modification, an amount of £93,127.56 was transferred to NNUK in respect of such uncashed cheques.

Nominees’ and Joint Supervisors’ time costs

The period from which the decision was made to propose a CVA to creditors until the CVA was approved by creditors represented the period where the Joint Administrators acted as the Nominees. This period, together with the period since the approval of the CVA, shall be referred to as the “CVA period” in this section.

The Nominees’ costs are those costs incurred by the Nominees during the period leading up to the approval of the CVA.

The Joint Supervisors’ time costs are those time costs incurred following the approval of the CVA by the creditors on 31 May 2017.

The Nominees and Joint Supervisors of the CVA have incurred “Direct time costs” of £25,094.50 and £75,780.03 respectively in the CVA period to 4 April 2019, totalling £100,874.53.

In addition, during the CVA period, the Joint Supervisors have apportioned between certain Nortel EMEA entities (which are also in a CVA process or shortly will be) certain central time costs for workstreams undertaken for the benefit of the Nortel EMEA entities (“General time costs”). During the CVA period to 4

April 2019, £15,011.97 of Nominees' General time costs and £838.85 of Joint Supervisors' General time costs were allocated to the Company in respect of these apportionments.

The Nominees' and Joint Supervisors' total time costs, including both Direct and General time, for the period to 4 April 2019 are £116,725.36.

In accordance with clause 30.7 of the Terms of the CVA, the creditors of the Company previously approved certain of these time costs for the period to 30 March 2018, totalling £76,581.72. This leaves an outstanding balance of time costs to be approved of £40,143.64 for the period from 31 March 2018 to 4 April 2019. The Joint Supervisors will seek approval of the English Court for their time costs for the period from 30 March 2018, as appropriate, in due course.

A summary of the time costs incurred for the CVA period to 4 April 2019 are appended to this Final Report for creditors' information (see Appendix 1).

Remuneration of the Joint Supervisors is governed by the Terms of the CVA. Further information is given in the Association of Business Recovery Professionals' publication 'A creditors' guide to insolvency practitioners' fees under voluntary arrangements' a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to me.

Receipts & Payments

Attached at Appendix 2 is the Joint Supervisors' receipts and payments ("R & P") account for the CVA period to 4 April 2019 in respect of the Company.

As at 4 April 2019, the Company held nil cash in the Joint Supervisors' bank accounts.

Further detailed notes in respect of the R & P account for the period to 4 April 2019 are provided at Appendix 2.

Cash held by the Joint Administrators is reported separately in the Joint Administrator's progress reports. The Joint Administrators will provide their final reports to creditors in due course.

We should like to take this opportunity to thank creditors of the Company and the members of the Creditors' Committees for their support during the CVA.

Yours faithfully



S J Harris
Formerly Joint Supervisor of the Company Voluntary Arrangement of
Nortel Networks N.V.

For the Company, 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(2)(a) of the Insolvency Act 1986 and the Association of Chartered Certified Accountants in the UK authorises A M Hudson to act as Insolvency Practitioner under section 390A(2)(a) of the Insolvency Act 1986. The Institute of Chartered Accountants in Scotland in the UK authorises J Hewitt-Schembri to act as an Insolvency Practitioner under section 390A(2)(a) 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.

The Company was also subject to a Company Voluntary Arrangement. The Joint Supervisors were A R Bloom, S J Harris, A M Hudson and J Hewitt-Schembri who acted as agents of the CVA Company and without personal liability.

The Joint Administrators and Joint Supervisors may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). They may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 2018.

The Joint Administrators and Joint Supervisors 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 Company may act as a data processor on the instructions of the Joint Administrators and Joint Supervisors. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' and Joint Supervisors' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix 1

Nortel Networks N.V. (In Administration and formerly subject to a Company Voluntary Arrangement (“CVA”))

Joint Supervisors' Abstract of fees from 9 May 2017 to 4 April 2019

Summary of total time costs incurred for the period

Time costs for the CVA period to 4 April 2019	£
Total Nominees' direct time costs	25,094.50
Total Nominees' general time costs	15,011.97
Total Joint Supervisors' direct time costs	75,780.03
Total Joint Supervisors' general time costs	838.85
Total time costs for the CVA period to 4 April 2019	116,725.36
Time costs approved to date (to 30 March 2018)	
Nominees' direct time costs approved to date (to 30 March 2018)*	(25,094.50)
Nominees' general time costs approved to date (to 30 March 2018)*	(15,003.63)
Joint Supervisors' direct time costs approved to date (to 30 March 2018)	(35,723.30)
Joint Supervisors' general time costs approved to date (to 30 March 2018)	(760.29)
Total time costs approved to date (to 30 March 2018)	(76,581.72)
Total time costs for approval	40,143.64

Nominees' Direct time cost for the period

Activity	Hours						Total sum of hours	Average hourly rate (£)	Time costs for CVA period to 4 April 2019 (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Nominees' direct time	-	10.1	2.0	20.7	0.6	38.1	71.5	350.97	25,094.50
Grand Total	-	10.1	2.0	20.7	0.6	38.1	71.5		25,094.50
Time costs for the Period (£)	-	7,777.00	1,130.00	8,590.50	183.00	7,414.00			

*The total Nominees' direct time costs approved to 30 March 2018 as described in the Joint Supervisors' fee pack dated 18 July 2018, and approved on 9 August 2018, amounted to £28,239.40. The difference of £3,144.90 relates to adjustments to historical time reporting made following a review of our records/database. It is noted that this time related to work undertaken by the Joint Supervisors in the period to 30 March 2018 and we will not be seeking a retrospective adjustment to our approvals for this period.

Joint Supervisors' Direct time cost for the period

Activity	Hours						Total sum of hours	Average hourly rate (£)	Time costs for the Period to 4 April 2019 (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Annual progress report	-	1.0	-	1.0	5.5	-	7.5	381.80	2,863.50
Corporation Tax	-	-	-	-	-	1.1	1.1	195.00	214.50
Creditor claim adjudication	-	0.7	8.9	21.2	12.5	16.4	59.7	357.98	21,371.50
Creditor correspondence	-	1.0	1.3	1.2	-	8.6	12.1	304.17	3,680.50
Creditors' Committee	-	-	-	2.0	4.0	-	5.7	270.21	3,161.50
Distribution	-	2.0	4.5	33.1	9.8	0.3	49.7	419.63	20,855.80
Fees and Time costs	-	-	0.6	-	16.5	-	17.1	238.56	7,013.80
Finance, accounting and administration	-	-	-	-	2.3	7.7	10.0	252.84	2,691.50
Legal	-	-	-	-	-	6.0	6.0	196.00	1,176.00
Statutory	-	-	0.8	-	-	4.8	5.6	280.85	2,696.20
VAT	3.0	-	-	-	-	14.5	17.5	311.18	9,055.23
Grand Total	3.0	4.7	16.1	60.8	72.2	73.7	230.5		75,780.03
Average hourly rate (£)	790.24	770.43	564.76	414.77	294.40	192.97			
Total time costs for the Period (£)	2,370.73	3,621.00	9,092.70	25,217.80	21,256.00	14,221.80			

Nominees' General time cost for the period

Activity	Hours						Total sum of hours	Average hourly rate (£)	Total time costs for CVA period to 4 April 2019 (£)	Company cost percentage allocation	Time costs for the Company for CVA period to 4 April 2019 (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst					
Nominees' general time	3.1	397.9	528.5	531.4	6.5	170.0	1,637.4	526.91	862,757.00	1.74%	15,011.97
Average hourly rate (£)	805.00	770.00	565.00	415.00	305.00	192.72					
Time costs for the Period (£)	2,495.50	306,383.00	298,602.50	220,531.00	1,982.50	32,762.50					

*The total Nominees' general time costs approved to 30 March 2018 as described in the Joint Supervisors' fee pack dated 18 July 2018, and approved on 9 August 2018, amounted to £15,003.63. The £8.34 difference relates to adjustments to historical time reporting made following a review of our records/database.

Joint Supervisors' General time cost for the period

Activity	Hours						Total sum of hours	Average hourly rate (£)	Total time costs for the period 31 May 2017 to 4 April 2019 (£)	Company cost percentage allocation	Time costs for the period 31 May 2017 to 4 April 2019 (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst					
Supervisors' general time	0.0	18.5	25.2	9.5	38.4	23.5	115.1	418.85	48,210.00	1.74%	838.85
Grand Total	0.0	18.50	25.20	9.50	38.4	23.5	115.1		48,210.00		838.85
Average hourly rate (£)	-	-	-	-	291.72	-					
Total time costs for Period (£)	-	14,245.00	14,238.00	3,942.50	11,202.00	4,882.50					

Appendix 2

Nortel Networks N.V. (In Administration and formerly subject to a Company Voluntary Arrangement (“CVA”))

Joint Supervisors’ Abstract of Receipts and Payments from 31 May 2018 to 4 April 2019

Nortel Networks N.V. (in Administration and subject to a Company Voluntary Arrangement)				
Supervisors' receipts and payments account for the period 31 May 2017 to 4 April 2019:				
Currency: GBP	Notes	Period 31 May 2017 to 30 May 2018	Period 31 May 2018 to 4 April 2019	Total to 4 April 2019
Opening balance		-	2,125	
Receipts				
- Transfer from Administrators		2,088,582	4,432,400	6,520,982
- Bank Interest		45	589	634
		<u>2,088,628</u>	<u>4,432,989</u>	<u>6,521,616</u>
Payments				
- Distribution to creditors	1	(2,022,820)	(4,236,313)	(6,259,133)
- Joint Supervisors' fees and disbursements		(63,531)	(39,895)	(103,426)
- Intercompany	2	-	(65,504)	(65,504)
- Transfer to Nortel Networks UK Limited	3	-	(93,128)	(93,128)
- Transfer to Administrators	4	-	(22)	(22)
- Bank charges		(152)	(252)	(404)
		<u>(2,086,502)</u>	<u>(4,435,114)</u>	<u>(6,521,616)</u>
Closing balance		<u>2,125</u>	<u>-</u>	<u>-</u>
Account reconciliations:				
- Unpresented Cheques	5	63,734	-	-
Joint Supervisors' Accounts		<u>65,859</u>	<u>-</u>	<u>-</u>

Notes to R&P

Note 1

Distribution to creditors represents the 100p in the pound distribution to admitted unsecured non-subordinated creditors plus 100% of their entitlement to Commercial Interest at 4.13% per annum (as per the Terms of the CVA), and the 28.08p in the pound distribution to NNUK in respect of its subordinated claim.

Note 2

Intercompany payments amounting to c.£63.1k in the period related to legal fee recharges paid to Nortel Networks International Finance & Holding B.V. in respect of costs incurred by that entity on behalf of Nortel Networks N.V.

Note 3

Amounts transferred to Nortel Networks UK Limited are in respect of unpresented cheques from the distributions made to creditors in line with the Terms of the CVA modification as detailed in the body of this report.

Note 4

The transfer to the Administrators reflects surplus funds which were transferred from the Joint Supervisors' bank account back to the administration bank account immediately prior to the termination of the CVA.

Note 5

Unpresented cheques represents distributions made to creditors by cheque which had not been cashed as at 30 May 2018.