

TO ALL KNOWN CREDITORS

27 July 2018

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

Telephone: +44 (0) 207 951 6160

Email: cva@emeanortel.com

Dear Sirs

Nortel Networks, s.r.o. (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. 538 of 2009 / CR-2009-000041.

Incorporated in Czech Republic with registered number 25 79 84 72. The Company's registered address is c/o BDO Učetnictví s.r.o., Olbrachtova 1980/5, 140 00 Praha 4, Czech Republic.

Joint Supervisors' Final CVA Progress Report

I write to provide you with the Joint Supervisors' first and final progress report (“Final Report”), which includes details of the outcome of the CVA of the Company. This Final Report covers the period from 2 June 2017, the date of appointment of the Joint Supervisors, to 2 July 2018, being the date the CVA was terminated, and should be read in conjunction with the CVA Proposal dated 5 April 2017. 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 8 February 2018.

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 address www.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 5 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 2 June 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 5 June 2017.

The CVA was supervised by the Joint Supervisors, being A R Bloom, S J Harris, A M Hudson and J Hewitt-Schembri, who act 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 £2,151,058,359.09 (including a significant contingent claim submitted by the Regulator), of which £4,006,288.77 was admitted for payment and £2,147,052,070.32 was rejected.

In December 2017, in consultation with the Joint Supervisors, the Joint Administrators determined the amount of cash available to be paid to the Joint Supervisors for distribution to creditors. On 5 December 2018, the Joint Supervisors gave notice of a first distribution of 92.1p in the £ on all admitted non-subordinated, unsecured Allowed CVA claims as at 5 December 2017. This distribution was paid by the Joint Supervisors on 5 December 2018, totalling £1,444,666.11 (net of any applicable taxes).

Subsequently, on April 2018, the Joint Supervisors gave notice of the making of a final distribution of 7.9p in the £ in respect of non-subordinated, unsecured Allowed CVA Claims. This distribution was paid by the Joint Supervisors on 20 April 2018, totalling £312,444.82 (net of any applicable taxes), and included catch up dividend payments in respect of claims admitted after the date of the first dividend. It is noted there were insufficient assets to pay Commercial Interest or the admitted CCAA Subordinated Claims totalling £2,241,399.58.

Given that non-subordinated, unsecured creditors with provable CVA Claims have been paid in full and there are no further assets available for distribution to creditors, it has been determined that the CVA has been successfully completed and should be terminated.

CVA Termination and Modification

Following payment of the final distribution on 20 April 2018, 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 were 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 were paid in full save for Commercial Interest on non-subordinated, Allowed CVA Claims, Non-Provable Claims, CCAA Subordinated Claims and Barred Claims and no Commercial Interest was paid on these categories of creditors;
- 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 Czech law.

Notwithstanding the forementioned, following the final distribution, the Joint Supervisors were aware that two creditors, who were distributed to by cheque, had not cashed their cheques. These cheques totalled £566.42 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 would be in the best interests of the CVA Creditors and expedient to modify the CVA to the effect that if there are any cheques uncashed at the time when the CVA is terminated, the Company will 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 until 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 2 July 2018 and in accordance with the CVA modification, an amount of £566.42 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 represents 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 2 June 2017.

The Nominees and Joint Supervisors of the CVA have incurred time costs directly charged to this entity ("Direct Time Costs") of £18,787.50 and £109,533.19 respectively in the CVA period to 2 July 2018, totalling £128,320.69.

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 2 July 2018, £4,575.20 of Nominees' General Time Costs and £252.93 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 Costs, for the period to 2 July 2018 were £133,148.82.

In accordance with the clause 30.6 of the Terms of the CVA, the creditors of the Company previously approved certain of these time costs for the period to 29 December 2017, totalling £73,471.88. This leaves an outstanding balance of time costs to be approved of £59,676.94 for the period from 30 December 2017 to 2 July 2018. The Joint Supervisors will seek approval of the English Court for their time costs for the period from 30 December 2017 in due course.

A summary of the time costs incurred for the CVA period to 2 July 2018 are appended to this Annual 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 website 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' R & P account for the CVA period to 2 July 2018 in respect of the Company.

As at 2 July 2018, 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 2 July 2018 are provided at Appendix 2.

We should like to take this opportunity to thank creditors of the Company for their support during the Administration and CVA of the Company.

Yours faithfully
For and on behalf of
Nortel Networks, s.r.o.



S J Harris
Formerly Joint Supervisor

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.

We advise that this report is provided pursuant to our appointments as Joint Supervisors of the Company. It is provided solely for the purpose of informing creditors of certain aspects of the current status of the CVA. 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.

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 Companies 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, s.r.o.

(In Administration and formerly subject to a Company Voluntary Arrangement ("CVA"))

Joint Supervisors' Abstract of fees from 2 June 2017 to 2 July 2018

Summary of total time costs incurred for the period

Time costs for the CVA period to 2 July 2018	£
Total Nominees' direct time costs	18,787.50
Total Nominees' general time costs	4,575.20
Total Joint Supervisors' direct time costs	109,533.19
Total Joint Supervisors' general time costs	252.93
Total time costs for the CVA period to 2 July 2018	133,148.82
Time costs approved to date (to 29 December 2017)	
Nominees' direct time costs approved to date (to 29 December 2017)	(18,787.50)
Nominees' general time costs approved to date (to 29 December 2017)	(4,575.20)
Joint Supervisors' direct time costs approved to date (to 29 December 2017)	(49,893.14)
Joint Supervisors' general time costs approved to date (to 29 December 2017)	(216.04)
Total time costs approved to date (to 29 December 2017)	(73,471.88)
Total time costs for approval	59,676.94

Nominees' Direct time cost for the period

Activity	Hours					Total sum of hours	Average hourly rate (£)	Time costs for CVA period to 2 July 2018 (£)
	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Nominees' direct time	11.7	1.5	5.0	0.6	34.3	53.1	353.81	18,787.50
Time costs for the Period (£)	9,009.00	847.50	2,075.00	183.00	6,673.00			

Joint Supervisors' Direct time cost for the period

Activity	Hours						Total sum of hours	Average hourly rate (£)	Time costs for the Period to 2 July 2018 (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Annual progress report	-	-	-	-	-	2.00	2.0	40.00	80.00
Corporation tax	20.60	-	-	27.00	38.50	11.80	97.9	353.58	34,615.47
Creditor claim adjudication	-	0.20	8.70	25.10	-	12.80	46.8	384.23	17,982.00
Creditor correspondence	-	-	1.30	4.50	-	2.40	8.2	374.39	3,070.00
Creditors' Committee	-	-	-	3.00	7.00	-	10.0	338.00	3,380.00
Distribution	-	3.80	1.50	35.00	10.30	55.30	105.9	304.28	32,223.50
Distribution Model	-	-	-	7.50	12.00	-	19.5	347.31	6,772.50
Fees and Time costs	-	0.50	2.60	0.70	3.00	3.50	10.3	289.03	2,977.00
Finance, accounting and administration	-	-	-	2.30	0.40	10.00	12.7	232.20	2,949.00
General	-	-	-	0.60	14.00	1.30	15.9	183.18	2,912.60
Internal File Review (IFR)	-	-	-	-	-	2.50	2.5	195.00	487.50
New Joiner handovers	-	-	-	-	-	4.00	4.0	195.00	780.00
Statutory	-	0.40	-	-	-	3.00	3.4	262.65	893.00
VAT	-	-	-	0.40	-	1.30	1.7	241.54	410.62
Joint Supervisors' direct time	20.60	4.90	14.10	106.10	85.20	109.90	340.8		109,533.19
Average hourly rate (£)	-	770.00	565.00	409.59	241.25	183.69			
Time costs for the Period (£)	-	3,773.00	7,966.50	43,457.49	20,554.27	20,187.47			

Nominees' General time cost for the period

Activity	Hours						Total sum of hours	Average hourly rate (£)	Total time costs for CVA period to 2 July 2018 (£)	Company cost percentage allocation	Time costs for the Company for CVA period to 2 July 2018 (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst					
Nominees' general time	3.1	397.9	528.5	531.4	6.5	172.5	1,639.9	526.40	863,244.50	0.53%	4,575.20
Average hourly rate (£)	805.00	770.00	565.00	415.00	305.00	192.75					
Time costs for the Period (£)	2,495.50	306,383.00	298,602.50	220,531.00	1,982.50	33,250.00					

Joint Supervisors' General time cost for the period

Activity	Hours					Total sum of hours	Average hourly rate (£)	Total time costs for CVA period to 2 July 2018 (£)	Company cost percentage allocation	Time costs for the Company for CVA period to 2 July 2018 (£)
	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst					
Joint Supervisors' general time	18.5	25.2	9.5	38.4	21.0	112.6	423.82	47,722.50	0.53%	252.93
Average hourly rate (£)	770.00	565.00	415.00	291.72	195.00					
Time costs for the Period (£)	14,245.00	14,238.00	3,942.50	11,202.00	4,095.00					

Appendix 2

Nortel Networks, s.r.o.

(In Administration and formerly subject to a Company Voluntary Arrangement (“CVA”))

Joint Supervisors' Abstract of Receipts and Payments from 2 June 2017 to 2 July 2018

Currency: GBP	Notes	Period 2 June 2017 to 2 July 2018
Opening balance		-
<u>Receipts</u>		
- Transfer from Administrators		<u>1,857,352</u>
		1,857,352
<u>Payments</u>		
- Distribution to creditors	1	(1,757,111)
- Joint Supervisors' fees and disbursements		(99,417)
- Bank charges and interest		(258)
- Transfer to Nortel Networks UK Limited	2	<u>(566)</u>
		(1,857,352)
Closing balance		<u><u>-</u></u>
Account reconciliations:		-
Joint Supervisors' Accounts		<u><u>-</u></u>

Notes to R&P

Note 1

Distribution to creditors represents the 100p in the £ distribution to admitted Provable Claim creditors excluding certain subordinated intercompany claims.

Note 2

Amounts transferred to Nortel Networks UK Limited are in respect of two unrepresented creditor distribution cheques as referred to in the body of this report.