

TO ALL KNOWN CREDITORS

10 July 2018

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

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Dear Sirs

**Nortel Networks France S.A.S. (in Administration and 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. 544 of 2009 / CR-2009-000045.

Incorporated in France with registered number FR625552150724/552150724. The Company's registered address is Centre d’Affaires Parc Lumiere, 46 Avenue des Freres Lumiere, F-78190 Trappes, France.

**Joint Supervisors’ First Annual CVA Progress Report**

I write to provide you with the Joint Supervisors’ first annual progress report (“Annual Report”), which includes details of the progress of the CVA of the Company. This Annual Report covers the 12 month period from 11 May 2017 to 10 May 2018 and should be read in conjunction with the CVA Proposal dated 5 April 2017. The Company is also in Administration and this Annual 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 Annual Report, and the previous reports referred to, can be made available on request or can be obtained at the following address [www.emeanortel.com](http://www.emeanortel.com).

Capitalised terms used in this Annual 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 and/or delayed 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 27 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 11 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 12 May 2017.

The CVA is being 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 €2,381,473,998.79 (including a significant contingent claim submitted by the Regulator), of which €5,866,642.40 has now been admitted for payment and €2,375,517,653.83 has been rejected. Please note that these figures include a number of CVA Claims which have been determined subsequent to the period of this Annual Report. In addition, one CVA claim totalling €89,702.56 is subject to final adjudication by the Joint Supervisors and is expected to be finally determined shortly.

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 to facilitate a first interim distribution to creditors. Subsequently, on 5 December 2017, the Joint Supervisors gave notice of the making of a first interim distribution of 95c in the € to creditors with Allowed Claims.

Subsequently, on 21 June 2018, the CVA Supervisors gave notice of the making of a final distribution of 5c in the € in respect of Allowed Claims plus post-petition interest in full on Allowed Claims from 14 January 2009 to the date of payment at a commercial interest rate of 3.60% per annum per the Terms of the CVA (on a pro-rata basis by reference to the value of the Allowed Claim).

## **Nominees' and Joint Supervisors' time costs**

The period from which the decision was made to propose a CVA to creditors until the CVA is 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 11 May 2017.

The Nominees and Joint Supervisors of the CVA have incurred "Direct time costs" of £31,890.50 and £88,154.94 respectively in the CVA period to 10 May 2018, totalling £120,045.44.

In addition, during the CVA period, the Joint Supervisors have apportioned between certain other Nortel EMEA entities (which are also in a CVA process or shortly will be) certain time costs for workstreams undertaken for the benefit of the Nortel EMEA entities ("General time costs"). During the CVA period to 10 May 2018, £102,823.77 of Nominees' General time costs and £7,127.95 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 10 May 2018 are £229,997.16.

The Joint Supervisors continue to draw 80% of these fees on a regular basis as per clause 30.7.2 of the CVA proposal. The Joint Supervisors intend to seek approval of the remaining 20% of fees from creditors in accordance with Clause 30.7 of the CVA proposal for the period to 29 September 2017. The Joint Supervisors will seek the approval of creditors or the English Court for their time costs for the period from 30 September 2017, as appropriate, in due course.

A summary of the time costs incurred for the CVA period to 10 May 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 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 and Payments

Attached at Appendix 2 is the Joint Supervisors' receipts and payments ("R & P") account for the CVA period to 10 May 2018 in respect of the Company.

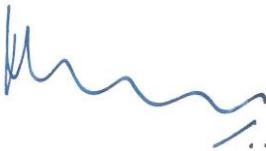
As at 10 May 2018, the Company held cash of €43,762.28 in the Joint Supervisors' bank accounts.

Further detailed notes in respect of the R & P account for the period to 10 May 2018 are provided at Appendix 2.

The Joint Administrators and the Joint Supervisors will continue to update creditors as matters progress over the coming months, particularly in relation to further distribution of monies to creditors.

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

Yours faithfully  
For and on behalf of  
Nortel Networks France S.A.S.



S J Harris  
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 Companies only and without personal liability.*

*The Company is also subject to Company Voluntary Arrangements. The Joint Supervisors are A R Bloom, S J Harris, A M Hudson and J Hewitt-Schembri who act 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 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.*

## Appendix 1

### Nortel Networks France S.A.S.

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

### Joint Supervisors' Abstract of fees from 11 May 2017 to 10 May 2018

#### Summary of total time costs incurred for the period

| Time costs for the CVA period to 10 May 2018                                  | £                 |
|---|-------------------|
| Total Nominees' direct time costs   | 31,890.50         |
| Total Nominees' general time costs  | 102,823.77        |
| Total Joint Supervisors' direct time costs                                    | 88,154.94         |
| Total Joint Supervisors' general time costs                                   | 7,127.95          |
| <b>Total time costs for the CVA period to 10 May 2018</b>                     | <b>229,997.16</b> |
| <b>Time costs approved to date (to 29 September 2017)</b>                     |                   |
| Nominees' direct time costs approved to date (to 29 September 2017)           | -                 |
| Nominees' general time costs approved to date (to 29 September 2017)          | -                 |
| Joint Supervisors' direct time costs approved to date (to 29 September 2017)  | -                 |
| Joint Supervisors' general time costs approved to date (to 29 September 2017) | -                 |
| <b>Total time costs approved to date (to 29 September 2017)</b>               | <b>-</b>          |
| <b>Total time costs for approval</b>  | <b>229,997.16</b> |

#### Nominees' Direct time cost for the period

| Activity                             | Hours                         |                    |                 |                 | Total sum of hours | Average hourly rate (£) | Time costs for CVA period to 10 May 2018 (£) |
|--------------------------------------|-------------------------------|--------------------|-----------------|-----------------|--------------------|-------------------------|--|
|                                      | Director / Executive Director | Assistant Director | Manager         | Analyst         |                    |                         |  |
| Nominees' direct time                | 14.1                          | 6.0                | 23.7            | 40.2            | 84.0               | 379.65                  | 31,890.50                                    |
| <b>Grand Total</b>                   | <b>14.1</b>                   | <b>6.0</b>         | <b>23.7</b>     | <b>40.2</b>     | <b>84.0</b>        |                         | <b>31,890.50</b>                             |
| <b>Time costs for the Period (£)</b> | <b>10,857.00</b>              | <b>3,390.00</b>    | <b>9,835.50</b> | <b>7,808.00</b> |                    |                         |  |

#### Joint Supervisors' Direct time cost for the period

| Activity                               | Hours                         |                    |                  |                                 |                  | Total sum of hours | Average hourly rate (£) | Time costs for the Period to 10 May 2018 (£) |
|--|-------------------------------|--------------------|------------------|---------------------------------|------------------|--------------------|-------------------------|--|
|  | Director / Executive Director | Assistant Director | Manager          | Executive / Assistant Executive | Analyst          |                    |                         |  |
| Creditor claim adjudication            | 5.70                          | 13.20              | 53.40            | -                               | 19.60            | 91.9               | 394.43                  | 36,247.73                                    |
| Distribution                           | 4.20                          | 1.50               | 34.30            | -                               | 1.50             | 41.5               | 436.95                  | 18,133.56                                    |
| Creditors' Committee                   | 2.00                          | -                  | 7.50             | -                               | 18.90            | 28.4               | 293.59                  | 8,338.00                                     |
| Finance, accounting and administration | 0.30                          | 1.00               | 8.00             | 1.30                            | 13.10            | 23.7               | 292.95                  | 6,943.00                                     |
| Creditor correspondence                | -                             | 2.50               | 9.20             | -                               | 6.00             | 17.7               | 349.14                  | 6,179.70                                     |
| Corporation tax                        | -                             | -                  | 12.00            | -                               | 5.60             | 17.6               | 323.38                  | 5,691.45                                     |
| VAT                                    | -                             | -                  | -                | -                               | 13.00            | 13.0               | 195.00                  | 2,535.00                                     |
| Statutory                              | -                             | -                  | 3.70             | -                               | 3.00             | 6.7                | 316.49                  | 2,120.50                                     |
| Fees and time costs                    | -                             | 0.60               | -                | -                               | 8.50             | 9.1                | 168.30                  | 1,531.50                                     |
| Annual progress report                 | -                             | -                  | 1.00             | -                               | -                | 1.0                | 415.00                  | 415.00                                       |
| General                                | -                             | -                  | -                | -                               | 0.10             | 0.1                | 195.00                  | 19.50  |
| <b>Joint Supervisors' direct time</b>  | <b>12.2</b>                   | <b>18.80</b>       | <b>129.10</b>    | <b>1.30</b>                     | <b>89.30</b>     | <b>250.7</b>       |                         | <b>88,154.94</b>                             |
| <b>Average hourly rate (£)</b>         | <b>770.00</b>                 | <b>565.00</b>      | <b>394.41</b>    | <b>305.00</b>                   | <b>188.40</b>    |                    |                         |  |
| <b>Time costs for the Period (£)</b>   | <b>9,394.00</b>               | <b>10,622.00</b>   | <b>50,917.94</b> | <b>396.50</b>                   | <b>16,824.50</b> |                    |                         |  |

#### Nominees' General time cost for the period

| Activity                             | Hours           |                               |                    |                   |                                 |                  | Total sum of hours | Average hourly rate (£) | Total time costs for CVA period to 10 May 2018 (£) | Company cost percentage allocation | Time costs for the Company for CVA period to 10 May 2018 (£) |
|--------------------------------------|-----------------|-------------------------------|--------------------|-------------------|---------------------------------|------------------|--------------------|-------------------------|--|------------------------------------|--|
|                                      | Partner         | Director / Executive Director | Assistant Director | Manager           | Executive / Assistant Executive | Analyst          |                    |                         |  |                                    |  |
| Nominees' general time               | 3.1             | 393.9                         | 513.7              | 524.9             | 6.5                             | 165.2            | 1,607.3            | 527.39                  | 847,681.50   | 12.13%                             | 102,823.77   |
| <b>Average hourly rate (£)</b>       | <b>805.00</b>   | <b>770.00</b>                 | <b>565.00</b>      | <b>415.00</b>     | <b>305.00</b>                   | <b>192.65</b>    |                    |                         |  |                                    |  |
| <b>Time costs for the Period (£)</b> | <b>2,495.50</b> | <b>303,303.00</b>             | <b>290,240.50</b>  | <b>217,833.50</b> | <b>1,982.50</b>                 | <b>31,826.50</b> |                    |                         |  |                                    |  |

## Joint Supervisors' General time cost for the period

| Activity                   | Hours                         |                    |          |                                 |          | Total sum of hours | Average hourly rate (£) | Total time costs for CVA period to 10 May 2018 (£) | Company cost percentage allocation | Time costs for the Company for CVA period to 10 May 2018 (£) |
|----------------------------|-------------------------------|--------------------|----------|---------------------------------|----------|--------------------|-------------------------|--|------------------------------------|--|
|                            | Director / Executive Director | Assistant Director | Manager  | Executive / Assistant Executive | Analyst  |                    |                         |  |                                    |  |
| Joint Supervisors' general | 22.5                          | 40.0               | 16.0     | 21.9                            | 28.3     | 128.7              | 456.59                  | 58,763.00  | 12.13%                             | 7,127.95   |
| Average hourly rate (£)    | 770.00                        | 565.00             | 415.00   | 305.00                          | 195.00   |                    |                         |  |                                    |  |
| Time costs for the Period  | 17,325.00                     | 22,600.00          | 6,640.00 | 6,679.50                        | 5,518.50 |                    |                         |  |                                    |  |

## Appendix 2

### Nortel Networks France S.A.S.

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

#### Joint Supervisors' Abstract of Receipts and Payments from 11 May 2017 to 10 May 2018

| Currency: EUR                               | Notes | Period 11 May 2017 to 10 May 2018 |
|---|-------|-----------------------------------|
| Opening balance                             |       | -                                 |
| <u>Receipts</u>                             |       |                                   |
| - Transfer from Administrators              |       | 4,973,902                         |
|   |       | <u>4,973,902</u>                  |
| <u>Payments</u>                             |       |                                   |
| - Distribution to creditors                 | 1     | (4,729,040)                       |
| - Joint Supervisors' fees and disbursements |       | (200,903)                         |
| - Bank charges and interest                 |       | (196)                             |
|   |       | <u>(4,930,140)</u>                |
| Closing balance                             |       | <u><u>43,762</u></u>              |
| Joint Supervisors' Accounts                 |       | 43,762                            |
|   |       | <u><u>43,762</u></u>              |

#### Notes to R&P

##### Note 1

Distribution to creditors represents the 100c in the € distribution to admitted Local Priority Claims and the 95c in the € distribution to admitted Provable Claims as at 10 May 2018.

The actual distribution to creditors as at 10 May 2018 is lower than 95c in the € of the total admitted claims referenced in the main body of this Annual Report primarily due to a number of CVA claims being determined subsequent to the period of this Annual Report. It is noted that additional transfers of £2,783,517.05 from the Joint Administrators to the Joint Supervisors have been made after the period of this Annual Report, on 21 June 2018, in order to facilitate further distributions of 5c in the € on Allowed Claims plus post-petition interest in full on Allowed Claims.