

TO ALL KNOWN CREDITORS

4 December 2020

Ref: MLP/5W/SJH/TP/JC/LO3539

Email: [cva@emeanortel.com](mailto:cva@emeanortel.com)

Dear Sirs

**Nortel Networks S.A. (in Administration, *Liquidation Judiciaire* and subject to a Company Voluntary Arrangement) (the “Company” or “NNSA”)**

In the High Court of Justice, Business and Property Courts of England & Wales, Companies and Insolvency List (ChD) No. 539 of 2009 / CR-2009-000048.

Incorporated in France with registered number FR62389516741/389516741. The Company's registered address is Centre d’Affaires Parc Lumiere, 46 Avenue des Freres Lumiere, F-78190 Trappes, France.

**Joint Supervisors’ Annual CVA Progress Report**

I write to provide you with the Joint Supervisors’ second annual progress report (the “**Annual Report**”), which includes details of the progress of the Company Voluntary Arrangement (“**CVA**”) of the Company. This Annual Report covers the 12-month period from 5 October 2019 to 4 October 2020 and should be read in conjunction with the CVA Proposal dated 24 August 2018. 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 12 August 2020. This report should also be read in conjunction with the Joint Supervisors’ previous report dated 10 December 2019.

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).

This Annual Report is being provided to comply with the Joint Supervisors’ legal obligations under English law. A more comprehensive update will be provided in the next Administration report for the period to 13 January 2021.

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

### *Secondary Proceedings*

In order to facilitate the progress and purpose of the Administration, the Joint Administrators made a request to the Commercial Court of Versailles which resulted in the placing of the Company into *Liquidation Judiciaire* on 28 May 2009 (the “**Secondary Proceeding**”). The conduct of the business located in France, has, since May 2009, been under the control of Maître Cosme Rogeau as *Liquidateur Judiciaire* (the “**Liquidator**”) and for the period of his appointment as such Maître Frank Michel as *Administrateur Judiciaire* (together the “**French Officeholders**”).

This Annual Report does not seek to set out matters that are specific either to the Administration or Secondary Proceeding but sets out the progress of the CVA of the Company. This Annual Report does not (save for the recovery of a tax refund by the Liquidator, see below) contain details of realisation of assets, or adjudication of creditor claims by the Liquidator in the Secondary Proceeding.

This Annual Report does set out steps that are being taken to distribute the assets of the Company as being subject to the English law Administration (the “**Main Proceeding**”) and co-ordinate certain aspects of the final stages of the CVA and Administration with the Liquidator and the Secondary Proceeding.

### *Company Voluntary Arrangement*

On 24 August 2018, the Joint Administrators issued a 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 mechanism to govern the treatment of admitted CVA claims which have received or are expected to receive a distribution in the Secondary Proceeding, via the principle of hotchpot, in an equitable way.

In summary the proposed CVA sought to:

- Provide a mechanism for the Joint Administrators, as Joint Supervisors, to determine creditor claims and distribute funds as quickly as possible;
- Impose a bar date, being 11 February 2019 (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; and
- Provide for the application of the principle of hotchpot.

On 5 October 2018, 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 9 October 2018.

The CVA is being supervised by the Joint Supervisors, being A R Bloom, S J Harris, A M Hudson and S J Taylor, who act as agents of the Company and without personal liability. J Hewitt-Schembri resigned as a Joint Supervisor on 17 July 2019 and her resignation became effective on 14 August 2019.

## **Claim adjudication and distributions to creditors**

### *Claim Adjudication*

In accordance with the Terms of the CVA, the Joint Supervisors have adjudicated all of the CVA Claims received in advance of the Bar Date. The total value of claims submitted was €3,060,170,115.39, of which €101,619,505.43 has been admitted to date and €2,958,550,609.96 (including a significant contingent claim submitted by the UK Pensions Regulator) has been rejected.

### *Distributions to CVA creditors*

In December 2019, in consultation with the Joint Supervisors, the Joint Administrators determined an amount of cash to be paid to the Joint Supervisors to facilitate a first interim distribution to creditors with Allowed Claims. Subsequently, on 13 December 2019, the Joint Supervisors declared and paid a dividend in respect of Allowed Claims of 59c in the €.

Under the same circumstances, the Joint Supervisors declared and paid a second interim dividend in respect of creditors with Allowed Claims of 5c in the € on 15 April 2020, bringing total aggregate distributions to 64c in the €.

### *Estimated outcome for creditors and future distributions*

In the Joint Supervisors' previous estimated outcome announcement dated 22 May 2020, it was noted as likely that unsecured creditors in the CVA may, without further realisations being made by the Joint Administrators or the Liquidator (and therefore without any recovery of the potential tax refund as disclosed in the Higher Case Estimated Outcome Statement<sup>1</sup>) and subject to any unforeseen issues to the closure of the Administration, receive aggregate dividends of up to approximately 90c in the €.

We are very pleased to announce that the Liquidator has successfully concluded an important aspect of the Company's tax affairs. As a result, the Liquidator has transferred to the Main Proceeding a sum of €23,000,000. As broadly indicated in the Higher Case Estimated Outcome Statement, this is expected to be sufficient to discharge Allowed Claims in full with sufficient surplus to pay an element of post-petition interest to creditors with Allowed Claims in the CVA.

We refer you to [cva.emeanortel.com](http://cva.emeanortel.com) for details of the latest estimated outcome as at 28 October 2020.

These estimates are subject to any unforeseen issues encountered in the closure of the Administration.

The Joint Supervisors intend to make a third distribution of principal to CVA Creditors with Allowed Claims before the end of 2020. The Joint Supervisors will confirm the exact timing and quantum of the third distribution in due course.

It is anticipated that a fourth and potentially final distribution to CVA Creditors with Allowed Claims will be made in 2021. Further information in respect of this distribution is expected to be provided in the Joint Administrators' progress report for the period to 13 January 2021.

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<sup>1</sup> CVA Proposal, Annex 6 and described in Note 10 to the Higher Case Estimated Outcome Statement, page 94

## Joint Supervisors' time costs

The Joint Supervisors' time costs are those time costs incurred following the approval of the CVA by the creditors on 5 October 2018. For the purposes of this Annual Report, the “**CVA Period**” is the period from 28 September 2019 to 27 September 2020.

Detailed below are the Joint Supervisors' time costs for each of Ernst & Young LLP and Isonomy Ltd:

1. *A R Bloom, S J Harris and A M Hudson of Ernst & Young LLP*

A R Bloom, S J Harris and A M Hudson as the Joint Supervisors of the CVA have incurred “**Direct Time Costs**” of £719,284.50 in the CVA Period.

2. *S J Taylor of Isonomy Ltd*

S J Taylor as a Joint Supervisor of the CVA has incurred time costs of £42,624 in the CVA Period.

The Joint Supervisors will seek the approval of the CVA Creditors' Committee or the English Court for their time costs for the CVA Period, as appropriate, in due course. A summary of the Direct Time Costs incurred by the Joint Supervisors' EY team for the CVA Period is 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 Account

Attached at Appendix 2 is the Joint Supervisors' receipts and payments (“**R & P**”) account for the CVA period to 4 October 2020 in respect of the Company.

As at 4 October 2020, the Company held cash of €6,742,740 in the Joint Supervisors' bank accounts.

Further detailed notes in respect of the R & P account for the period to 4 October 2020 are provided at Appendix 2.

Future communications will be uploaded to the Nortel websites, the addresses of which are: [www.emeanortel.com](http://www.emeanortel.com) and [cva.emeanortel.com](http://cva.emeanortel.com).

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

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



**S J Harris**  
Joint Supervisor

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

The affairs, business and property of Nortel Networks S.A. are being managed by the Administrators, A R Bloom, S J Harris, A M Hudson and S J Taylor who act as agents of Nortel Networks S.A. 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.

The Company is also subject to a Company Voluntary Arrangement. The Joint Supervisors are A R Bloom, S J Harris, A M Hudson and S J Taylor who act as agents of the Company and without personal liability.

We advise that this Annual Report is provided pursuant to our appointments as Joint Administrators and 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 Annual 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 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 Administrator's appointment. The Office Holder Data Privacy Notice can be found at [www.ey.com/uk/officeholderprivacy](http://www.ey.com/uk/officeholderprivacy). The Joint Administrators and Joint Supervisors are bound by the Insolvency Code of Ethics.

## Appendix 1

### Nortel Networks S.A.

(In Administration, in *Liquidation Judiciaire* and subject to a Company Voluntary Arrangement)

#### Joint Supervisors' Abstract of fees for the CVA Period

##### Joint Supervisors' Direct Time Costs for the CVA Period

Activity	Hours						Total sum of hours	Average hourly rate (£)	Time costs for the CVA Period (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Creditor claim adjudication	83.9	37.0	236.6	69.7	24.9	424.1	876.2	398.23	348,928.00
Distribution	12.8	21.0	84.8	171.0	28.0	455.7	773.3	311.54	240,912.50
Creditor correspondence	-	1.0	88.4	9.8	-	119.2	218.4	357.27	78,027.00
Fees and time costs	-	-	1.5	-	66.5	191.2	259.2	85.07	22,050.00
Finance, accounting and administration	-	0.7	4.0	-	27.8	30.5	63.0	266.04	16,760.50
Statutory	-	7.5	0.3	15.0	-	4.6	27.4	460.09	12,606.50
<b>Grand Total</b>	<b>96.7</b>	<b>67.2</b>	<b>415.6</b>	<b>265.5</b>	<b>147.2</b>	<b>1,225.3</b>	<b>2,217.5</b>	<b>324.37</b>	<b>719,284.50</b>
Average hourly rate (£)	805.00	735.77	565.00	415.00	192.74	178.43			
Total time costs for the CVA Period (£)	77,843.50	49,444.00	234,814.00	110,182.50	28,372.00	218,628.50			

##### Joint Supervisors' total time costs to date

<b>Total time costs to date</b>	<b>£</b>
Nominees' direct time costs	72,213.00
Nominees' general time costs	158,143.87
Total Joint Supervisors' direct time costs	1,062,143.70
Total Joint Supervisors' general time costs	-
<b>Total time costs to date</b>	<b>1,292,500.57</b>
<b>Total time costs for the period to 27 September 2019</b>	<b>£</b>
Nominees' direct time costs	72,213.00
Nominees' general CVA planning time costs	158,143.87
Joint Supervisors' direct time costs	342,859.20
Joint Supervisors' general CVA time costs	-
<b>Total time costs for the period to 27 September 2019</b>	<b>573,216.07</b>
<b>Time costs for the CVA Period</b>	<b>£</b>
Nominees' direct time costs	-
Nominees' general time costs	-
Joint Supervisors' direct time costs	719,284.50
Joint Supervisors' general time costs	-
<b>Time costs for the CVA Period</b>	<b>719,284.50</b>

**Note:**

Time costs for the prior period have been updated to reflect amendments made during the fee approval process.

## Appendix 2

### Nortel Networks S.A.

(In Administration, in *Liquidation Judiciaire* and subject to a Company Voluntary Arrangement)

### Joint Supervisors' Abstract of Receipts and Payments from 5 October 2019 to 4 October 2020

Nortel Networks S.A. (In Administration, in <i>Liquidation Judiciaire</i> and subject to a Company Voluntary Arrangement) Joint Supervisors' receipts and payments account for the period 5 October 2019 to 4 October 2020:				
Currency: EUR	Notes	Period 5 October 2018 to 4 October 2019	Period 5 October 2019 to 4 October 2020	Total to 4 October 2020
Opening balance		-	7,699	-
<b>Receipts</b>				
- Transfer from the Joint Administrators	1	513,230	34,617,612	35,130,842
		513,230	34,617,612	35,130,842
<b>Payments</b>				
- Joint Supervisors' fees and disbursements		(497,011)	(907,554)	(1,404,565)
- Legal fees		-	(2,773)	(2,773)
- Legal fee recharges	2	(8,520)	(12,850)	(21,370)
- Distributions to creditors	3	-	(26,959,005)	(26,959,005)
- Bank charges		-	(390)	(390)
		(505,531)	(27,882,571)	(28,388,102)
Closing balance		7,699	6,742,740	6,742,740
Account reconciliations:		-	-	-
Joint Supervisor's Accounts		7,699	6,742,740	6,742,740

### Notes to R&P

#### Note 1

The amounts reported are inclusive of sales tax where applicable.

#### Note 2

Recharges relate to legal fees which are billed to the shareholder (Nortel Networks International Finance & Holding BV (In Dutch liquidation)) and allocated to each entity respective of work completed in the period.

#### Note 3

Distributions to creditors represents the amounts paid in the first and second NNSA distributions, in respect of Allowed Claims, of 59c/€ and 5c/€ respectively. The amount also includes Withholding Tax payments made to the French Tax Authorities in respect of dividends paid to certain non-French resident creditors.

#### Note 4

Funds held in the Main Proceedings as at 4 October 2020 aggregate to €22,640,472, comprising of Administration accounts (€15,897,732) and CVA accounts (€6,742,740). These funds remain subject to further costs of the Administration and CVA. These cash figures do not include the transfer of €23m from the Secondary Proceeding as referred to above and are provided as at 4 October 2020 in line with the date of the Joint Supervisors' R&P account.