

**NORTEL NETWORKS CORPORATION**  
**Consolidated Balance Sheets (unaudited)**  
(millions of U.S. dollars)

	<b>U.S. GAAP</b>	
	<b>March 31,</b>	<b>December 31,</b>
	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents .....	\$ 3,999	\$ 3,861
Restricted cash and cash equivalents.....	227	249
Accounts receivable (less provisions of \$403 at March 31, 2003; \$477 at December 31, 2002).....	1,857	1,910
Inventories – net.....	846	889
Income taxes recoverable .....	60	58
Deferred income taxes – net .....	785	791
Other current assets .....	420	718
Total current assets .....	8,194	8,476
Investments at cost and associated companies at equity .....	211	246
Plant and equipment – net .....	1,397	1,444
Goodwill .....	2,201	2,201
Intangible assets – net .....	65	98
Deferred income taxes – net .....	3,040	2,723
Other assets <sup>(2)</sup> .....	786	783
Total assets .....	\$ 15,894	\$ 15,971
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Notes payable .....	\$ 78	\$ 100
Trade and other accounts payable .....	776	902
Payroll and benefit-related liabilities .....	668	521
Contractual liabilities .....	1,458	1,547
Restructuring.....	702	785
Other accrued liabilities .....	2,668	2,894
Long-term debt due within one year .....	234	233
Total current liabilities .....	6,584	6,982
Long-term debt .....	3,664	3,719
Deferred income taxes – net .....	487	344
Other liabilities .....	2,413	2,352
	13,148	13,397
Minority interest in subsidiary companies .....	606	614
<b>SHAREHOLDERS' EQUITY</b>		
Common shares, without par value – Authorized shares: unlimited; Issued and outstanding shares: 3,862,915,463 at March 31, 2003, 3,850,284,146 at December 31, 2002	33,620	33,587
Additional paid-in capital .....	3,690	3,734
Deferred stock option compensation .....	(70)	(96)
Deficit .....	(33,682)	(33,736)
Accumulated other comprehensive loss .....	(1,418)	(1,529)
Total shareholders' equity .....	2,140	1,960
Total liabilities and shareholders' equity .....	\$ 15,894	\$ 15,971

<sup>(1)</sup> The unaudited consolidated balance sheet as at March 31, 2003 is preliminary and is subject to change. Nortel Networks disclaims any intention or obligation to update or revise such balance sheet prior to the filing of its reported results for the three months ended March 31, 2003.

<sup>(2)</sup> Included in Other assets were provisions related to long-term accounts receivable of \$682 at March 31, 2003 and \$781 at December 31, 2002.