

**NORTEL NETWORKS CORPORATION**  
**Consolidated Statements of Cash Flows (unaudited)**  
(millions of U.S. dollars)

	U.S. GAAP	
	Three months ended March 31, 2003 <sup>(1)</sup>	Three months ended March 31, 2002
Cash flows from (used in) operating activities		
Net loss from continuing operations .....	\$ (136)	\$ (841)
Adjustments to reconcile net loss from continuing operations to net cash from (used in) operating activities, net of effects from acquisitions and divestitures of businesses:		
Amortization and depreciation .....	140	199
Non-cash portion of special charges and related asset write downs .....	(5)	97
Equity in net loss of associated companies .....	7	4
Current and deferred stock option compensation .....	20	25
Deferred income taxes .....	(6)	(383)
Other liabilities .....	26	(37)
Gain on repurchases of outstanding debt securities.....	(4)	-
(Gain) loss on sale or write down of investments and businesses .....	33	(22)
Other – net.....	29	69
Change in operating assets and liabilities:		
Accounts receivable .....	47	173
Inventories .....	111	90
Income taxes .....	(5)	530
Restructuring .....	(190)	(387)
Accounts payable and accrued liabilities .....	(153)	158
Other operating assets and liabilities .....	5	(107)
Net cash used in operating activities of continuing operations .....	<u>(81)</u>	<u>(432)</u>
Cash flows from (used in) investing activities		
Expenditures for plant and equipment .....	(18)	(103)
Proceeds on disposals of plant and equipment .....	6	44
Decrease in restricted cash and cash equivalents.....	20	-
Increase in long-term receivables .....	(9)	(107)
Decrease in long-term receivables .....	5	89
Acquisitions of investments and businesses – net of cash acquired.....	(2)	(19)
Proceeds on sale of investments and businesses .....	7	59
Net cash from (used in) investing activities of continuing operations .....	<u>9</u>	<u>(37)</u>
Cash flows from (used in) financing activities		
Decrease in notes payable – net .....	(17)	(11)
Proceeds from long-term debt .....	-	11
Repayments of long-term debt .....	(43)	(2)
Decrease in capital leases payable.....	(1)	(4)
Issuance of common shares .....	-	5
Net cash used in financing activities of continuing operations .....	<u>(61)</u>	<u>(1)</u>
Effect of foreign exchange rate changes on cash and cash equivalents .....	18	(6)
Net cash used in continuing operations .....	(115)	(476)
Net cash from discontinued operations .....	253	52
Net increase (decrease) in cash and cash equivalents .....	<u>138</u>	<u>(424)</u>
Cash and cash equivalents at beginning of period – net .....	3,861	3,513
Cash and cash equivalents at end of period – net .....	<u>\$ 3,999</u>	<u>\$ 3,089</u>

(1) The unaudited consolidated statements of cash flows for the three months March 31, 2003 are preliminary and are subject to change. Nortel Networks disclaims any intention or obligation to update or revise such statements of cash flows prior to the filing of its reported results for the three months ended March 31, 2003.