

NORTEL NETWORKS CORPORATION
Consolidated Results (unaudited)
(millions of U.S. dollars, except per share amounts)

	U.S. GAAP	
	Three months ended	
	March 31,	
	2003⁽¹⁾	2002
Revenues	\$ 2,399	\$ 2,912
Cost of revenues ⁽²⁾	1,370	2,154
Gross profit	1,029	758
Selling, general and administrative expense ⁽²⁾	487	744
Research and development expense ⁽²⁾	489	595
Amortization of acquired technology	33	43
Deferred stock option compensation	15	25
Special charges	134	487
Gain on sale of businesses	-	(14)
Operating loss	(129)	(1,122)
Other income (expense) – net	50	(19)
Interest expense		
Long-term debt	(45)	(58)
Other	(7)	(12)
Loss from continuing operations before income taxes	(131)	(1,211)
Income tax benefit	2	374
	(129)	(837)
Equity in net loss of associated companies - net of tax	(7)	(4)
Net loss from continuing operations	(136)	(841)
Net earnings from discontinued operations - net of tax	190	-
Net earnings (loss)	\$ 54	\$ (841)
Basic and diluted earnings (loss) per common share ^{(3) (4)}		
- from continuing operations	\$ (0.03)	\$ (0.26)
- from discontinued operations	0.04	-
	\$ 0.01	\$ (0.26)
Weighted average number of common shares (millions)		
- basic ⁽³⁾	4,336	3,215
- diluted ⁽⁴⁾	4,336	3,215

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

(2) Effective January 1, 2003, Nortel Networks adopted prospectively the fair value accounting for stock options. The stock option expense for the three months ended March 31, 2003 was \$5.

(3) The basic weighted average number of common shares included the minimum number of common shares to be issued upon settlement of the prepaid forward purchase contracts issued on June 12, 2002. The minimum number of common shares to be issued on a weighted basis for the three months ended March 31, 2003 and 2002 were 473 (in millions) and nil, respectively.

(4) As a result of the reported net losses from continuing operations for the three months ended March 31, 2003 and 2002, approximately 180 and 188, respectively, of potentially dilutive securities (in millions) were not included in the calculation of diluted loss per common share because to do so would have been anti-dilutive.