

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

	U.S. GAAP		
	(unaudited) June 30, 2002 ⁽¹⁾	(unaudited) March 31, 2002	(audited) December 31, 2001
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,869	\$ 3,089	\$ 3,513
Accounts receivable (less provisions of \$574 at June 30, 2002; \$499 at March 31, 2002; \$655 at December 31, 2001)	2,338	2,727	2,923
Inventories – net	1,453	1,489	1,579
Income taxes recoverable	55	912	796
Deferred income taxes – net	1,246	1,504	1,386
Other current assets	855	880	857
Current assets of discontinued operations	336	547	708
Total current assets	11,152	11,148	11,762
Long-term receivables (less provisions of \$841 at June 30, 2002; \$824 at March 31, 2002; \$828 at December 31, 2001)	254	159	203
Investments at cost and associated companies at equity	223	273	253
Plant and equipment – net	2,001	2,323	2,571
Goodwill	2,795	2,789	2,810
Intangible assets – net	171	227	285
Deferred income taxes – net	2,448	1,808	2,077
Other assets	937	926	893
Long-term assets of discontinued operations	105	283	283
Total assets	\$ 20,086	\$ 19,936	\$ 21,137
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Notes payable	\$ 340	\$ 406	\$ 426
Trade and other accounts payable	1,600	1,883	1,988
Payroll and benefit-related liabilities	562	689	636
Other accrued liabilities	5,196	5,288	5,459
Income taxes payable	108	273	143
Long-term debt due within one year	325	318	384
Current liabilities of discontinued operations	171	322	421
Total current liabilities	8,302	9,179	9,457
Deferred income	123	133	154
Long-term debt	4,125	4,083	4,094
Deferred income taxes – net	523	484	518
Other liabilities	1,498	1,436	1,453
Minority interest in subsidiary companies	604	631	637
Total liabilities	15,175	15,946	16,313
SHAREHOLDERS' EQUITY			
Common shares, without par value – Authorized shares: unlimited; Issued and outstanding shares: 3,849,075,583 at June 30, 2002, 3,215,780,142 at March 31, 2002, and 3,213,742,169 at December 31, 2001	33,860	32,968	32,899
Additional paid-in capital	3,766	3,207	3,257
Deferred stock option compensation	(139)	(161)	(205)
Deficit	(31,689)	(30,992)	(30,151)
Accumulated other comprehensive loss	(887)	(1,032)	(976)
Total shareholders' equity	4,911	3,990	4,824
Total liabilities and shareholders' equity	\$ 20,086	\$ 19,936	\$ 21,137

(1) The unaudited consolidated balance sheet as at June 30, 2002 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 and six months ended June 30, 2002.