

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

	U.S. GAAP		
	June 30, 2003 ⁽¹⁾	March 31, 2003	December 31, 2002
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,190	\$ 3,999	\$ 3,861
Restricted cash and cash equivalents.....	115	227	249
Accounts receivable (less provisions of \$355 at June 30, 2003, \$403 at March 31, 2003, \$477 at December 31, 2002).....	1,717	1,857	1,910
Inventories – net.....	830	846	889
Income taxes recoverable	57	60	58
Deferred income taxes – net	400	785	791
Other current assets	439	420	718
Total current assets	7,748	8,194	8,476
Investments.....	209	211	246
Plant and equipment – net	1,380	1,397	1,444
Goodwill	2,202	2,201	2,201
Intangible assets – net	33	65	98
Deferred income taxes – net	3,600	3,040	2,723
Other assets ⁽²⁾	669	786	783
Total assets	\$ 15,841	\$ 15,894	\$ 15,971
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Notes payable	\$ 48	\$ 78	\$ 100
Trade and other accounts payable	802	776	902
Payroll and benefit-related liabilities	635	668	521
Contractual liabilities	1,355	1,458	1,547
Restructuring.....	637	702	785
Other accrued liabilities	2,560	2,668	2,894
Long-term debt due within one year	184	234	233
Total current liabilities	6,221	6,584	6,982
Long-term debt	3,694	3,664	3,719
Deferred income taxes – net	488	487	344
Other liabilities	2,416	2,413	2,352
	12,819	13,148	13,397
Minority interest in subsidiary companies	623	606	614
SHAREHOLDERS' EQUITY			
Common shares, without par value – Authorized shares: unlimited; Issued and outstanding shares: 3,945,270,970 at June 30, 2003, 3,862,915,463 at March 31, 2003 and 3,850,284,146 at December 31, 2002.....			
	33,726	33,620	33,587
Additional paid-in capital	3,587	3,690	3,734
Deferred stock option compensation	(53)	(70)	(96)
Deficit	(33,696)	(33,682)	(33,736)
Accumulated other comprehensive loss	(1,165)	(1,418)	(1,529)
Total shareholders' equity	2,399	2,140	1,960
Total liabilities and shareholders' equity	\$ 15,841	\$ 15,894	\$ 15,971

(1) The unaudited consolidated balance sheet as at June 30, 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 and six months ended June 30, 2003.

(2) Included in Other assets were provisions related to long-term accounts receivable of \$324 at June 30, 2003, \$682 at March 31, 2003 and \$781 at December 31, 2002.