

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

	U.S. GAAP			
	Three months ended June 30,		Six months ended June 30,	
	2003 ⁽¹⁾	2002	2003 ⁽¹⁾	2002
Revenues	\$ 2,326	\$ 2,773	\$ 4,725	\$ 5,685
Cost of revenues ⁽²⁾	1,310	1,815	2,680	3,969
Gross profit	1,016	958	2,045	1,716
Selling, general and administrative expense ⁽²⁾	416	767	903	1,511
Research and development expense ⁽²⁾	479	579	968	1,174
Amortization of acquired technology	33	41	66	84
Deferred stock option compensation	17	21	32	46
Special charges	5	403	139	890
Gain on sale of businesses	-	-	-	(14)
Operating earnings (loss)	66	(853)	(63)	(1,975)
Other income (expense) - net	6	(9)	54	(28)
Interest expense				
Long-term debt	(44)	(55)	(89)	(113)
Other	(2)	(9)	(9)	(21)
Earnings (loss) from continuing operations before income taxes	26	(926)	(107)	(2,137)
Income tax benefit	7	229	9	603
	33	(697)	(98)	(1,534)
Minority interests - net of tax ⁽³⁾	(27)	10	(25)	10
Equity in net loss of associated companies - net of tax	(20)	(10)	(27)	(14)
Net loss from continuing operations	(14)	(697)	(150)	(1,538)
Net earnings from discontinued operations - net of tax	-	-	190	-
Net earnings (loss)	<u>\$ (14)</u>	<u>\$ (697)</u>	<u>\$ 40</u>	<u>\$ (1,538)</u>
Basic and diluted earnings (loss) per common share ⁽⁴⁾⁽⁵⁾				
- from continuing operations	\$ 0.00	\$ (0.20)	\$ (0.03)	\$ (0.46)
- from discontinued operations	0.00	0.00	0.04	0.00
Basic and diluted earnings (loss) per common share ⁽⁴⁾⁽⁵⁾	<u>\$ 0.00</u>	<u>\$ (0.20)</u>	<u>\$ 0.01</u>	<u>\$ (0.46)</u>
Weighted average number of common shares (millions)				
- basic ⁽⁴⁾	4,336	3,450	4,336	3,333
- diluted ⁽⁵⁾	4,336	3,450	4,336	3,333

(1) These unaudited consolidated results for the three months and six months ended June 30, 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 and six months ended June 30, 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 and six months ended June 30, 2003 was \$7 and \$12, respectively.

(3) Previously included as a component of Other income (expense) - net.

(4) 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 June 30, 2003 and 2002 were 455 and 101 (in millions), respectively. The minimum number of common shares to be issued on a weighted basis for the six months ended June 30, 2003 and 2002 were 468 and 51 (in millions), respectively.

(5) As a result of the reported net losses from continuing operations for the three months ended June 30, 2003 and June 30, 2002, approximately 191 and 198 (in millions), respectively, of potentially dilutive securities were not included in the calculation of diluted loss per common share because to do so would have been anti-dilutive. Also, as a result of the reported net losses from continuing operations for the six months ended June 30, 2003 and 2002, approximately 191 and 192 (in millions), respectively, of potentially dilutive securities were not included in the calculation of diluted loss per common share because to do so would have been anti-dilutive.