

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

	U.S. GAAP		
	(unaudited) September 30, 2002 ⁽¹⁾	(unaudited) June 30, 2002	(audited) December 31, 2001
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,170	\$ 4,847	\$ 3,513
Restricted cash and cash equivalents.....	420	22	-
Accounts receivable (less provisions of \$528 at September 30, 2002; \$574 at June 30, 2002; \$655 at December 31, 2001)	2,007	2,338	2,923
Inventories – net.....	1,132	1,453	1,579
Income taxes recoverable	58	55	796
Deferred income taxes – net	1,162	1,246	1,386
Other current assets	673	855	857
Current assets of discontinued operations	293	336	708
Total current assets	9,915	11,152	11,762
Long-term receivables (less provisions of \$877 at September 30, 2002; \$841 at June 30, 2002; \$828 at December 31, 2001)	79	254	203
Investments at cost and associated companies at equity	176	223	253
Plant and equipment – net	1,670	2,001	2,571
Goodwill	2,200	2,795	2,810
Intangible assets – net	133	171	285
Deferred income taxes – net	2,333	2,448	2,077
Other assets	868	937	893
Long-term assets of discontinued operations	66	105	283
Total assets	17,440	\$ 20,086	\$ 21,137
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Notes payable	\$ 128	\$ 340	\$ 426
Trade and other accounts payable	1,286	1,600	1,988
Payroll and benefit-related liabilities	646	562	636
Other accrued liabilities	4,689	5,196	5,459
Income taxes payable	116	108	143
Long-term debt due within one year	516	325	384
Current liabilities of discontinued operations	137	171	421
Total current liabilities	7,518	8,302	9,457
Deferred income	99	123	154
Long-term debt	4,111	4,125	4,094
Deferred income taxes – net	499	523	518
Other liabilities	1,588	1,498	1,453
Minority interest in subsidiary companies	611	604	637
	14,426	15,175	16,313
SHAREHOLDERS' EQUITY			
Common shares, without par value – Authorized shares: unlimited; Issued and outstanding shares: 3,849,891,442 at September 30, 2002, 3,849,075,583 at June 30, 2002, and 3,213,742,169 at December 31, 2001	33,872	33,860	32,899
Additional paid-in capital	3,753	3,766	3,257
Deferred stock option compensation	(118)	(139)	(205)
Deficit	(33,488)	(31,689)	(30,151)
Accumulated other comprehensive loss	(1,005)	(887)	(976)
Total shareholders' equity	3,014	4,911	4,824
Total liabilities and shareholders' equity	\$ 17,440	\$ 20,086	\$ 21,137

(1) The unaudited consolidated balance sheet as at September 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 nine months ended September 30, 2002.