

NORTEL NETWORKS CORPORATION
Preliminary Consolidated Results for the Three Months Ended September 30, 2003 (unaudited)
(millions of U.S. dollars, except per share amounts)

	Three months ended September 30, 2003 ⁽¹⁾
Revenues	\$ 2,274
Cost of revenues ⁽²⁾	1,089
Gross profit	1,185
Selling, general and administrative expense ⁽²⁾	485
Research and development expense ⁽²⁾	485
Amortization of acquired technology	33
Deferred stock option compensation	15
Special charges	70
Gain on sale of businesses	(20)
Operating earnings	117
Other income – net	100
Interest expense	
Long-term debt	(43)
Other	(2)
Earnings from continuing operations before income taxes	172
Income tax provision	(24)
	148
Minority interests - net of tax	(20)
Equity in net loss of associated companies - net of tax	(5)
Net earnings from continuing operations	123
Net earnings from discontinued operations - net of tax	56
Net earnings	\$ 179
Basic earnings per common share ⁽³⁾	
- from continuing operations	\$ 0.03
- from discontinued operations	\$ 0.01
Basic earnings per common share ⁽³⁾	\$ 0.04
Diluted earnings per common share	
- from continuing operations	\$ 0.03
- from discontinued operations	\$ 0.01
Diluted earnings per common share	\$ 0.04
Weighted average number of common shares (millions)	
- basic ⁽³⁾	4,336
- diluted	4,540

(1) The preliminary consolidated results for the three months ended September 30, 2003 are unaudited, preliminary in nature and therefore subject to change. The Company is only releasing preliminary selected results for the third quarter of 2003 at this time pending the completion of its comprehensive asset and liability review and related reviews and the restatement of financial results for 2000, 2001 and 2002 and the first and second quarters of 2003. Such restatements may impact these preliminary unaudited results for the three months ended September 30, 2003 and will impact prior period results including the first two quarters of 2003. The Company plans to file with the relevant regulatory authorities its unaudited financial statements, prepared in accordance with U.S. GAAP and Canadian GAAP, for the third quarter of 2003 within the periods permitted for timely filings (mid-November 2003 in the United States and late November 2003 in Canada). Restated financial statements for the other relevant periods are expected to be filed at the earliest possible time in the fourth quarter of 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 September 30, 2003 was \$7.

(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 September 30, 2003 was 366 (in millions).