

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

	U.S. GAAP		
	December 31, 2003 ⁽¹⁾	September 30, 2003	December 31, 2002
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,994	\$ 3,566	\$ 3,791
Restricted cash and cash equivalents	63	113	249
Accounts receivable (less provisions of \$256 at December 31, 2003, \$277 at September 30, 2003 and \$517 at December 31, 2002)	2,367	2,065	2,163
Inventories - net	928	928	986
Income taxes recoverable	59	63	58
Deferred income taxes - net	384	415	790
Other current assets	355	419	681
Total current assets	8,150	7,569	8,718
Investments	186	183	248
Plant and equipment - net	1,472	1,470	1,467
Goodwill	2,253	2,233	2,201
Deferred income taxes - net	3,374	3,224	2,579
Other assets including intangible assets - net ⁽²⁾	534	603	900
Total assets	\$ 15,969	\$ 15,282	\$ 16,113
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Notes payable	\$ 17	\$ 23	\$ 30
Trade and other accounts payable	901	768	872
Payroll and benefit-related liabilities	805	708	507
Contractual liabilities	737	768	1,215
Restructuring	214	273	548
Other accrued liabilities	2,342	2,311	2,974
Long-term debt due within one year	112	112	233
Total current liabilities	5,128	4,963	6,379
Long-term debt	3,755	3,751	3,742
Deferred income taxes - net	208	280	345
Other liabilities	2,484	2,296	2,330
Total liabilities	11,575	11,290	12,796
Minority interest in subsidiary companies	615	613	665
SHAREHOLDERS' EQUITY			
Common shares, without par value - Authorized shares: unlimited; Issued and outstanding shares: 4,173,153,369 at December 31, 2003, 4,003,594,788 at September 30, 2003 and 3,850,169,343 at December 31, 2002			
	33,996	33,802	33,583
Additional paid-in capital	3,338	3,554	3,754
Deferred stock option compensation	(21)	(38)	(91)
Accumulated deficit	(32,507)	(33,006)	(33,239)
Accumulated other comprehensive loss	(1,027)	(933)	(1,355)
Total shareholders' equity	3,779	3,379	2,652
Total liabilities and shareholders' equity	\$ 15,969	\$ 15,282	\$ 16,113

(1) The unaudited consolidated balance sheet as at December 31, 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 year ended December 31, 2003.

(2) Included in Other assets were provisions related to long-term accounts receivable of \$288 at December 31, 2003, \$294 at September 30, 2003 and \$736 at December 31, 2002.