

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

	U.S. GAAP			
	Three months ended December 31,		Year ended December 31,	
	2003 ⁽¹⁾	2002	2003 ⁽¹⁾	2002
Revenues	\$ 2,826	\$ 2,525	\$ 9,807	\$ 10,569
Cost of revenues ⁽²⁾	1,476	1,496	5,193	6,798
Gross profit	1,350	1,029	4,614	3,771
Selling, general and administrative expense ⁽²⁾	482	473	1,895	2,636
Research and development expense ⁽²⁾	523	498	1,993	2,208
Amortization of acquired technology	-	35	98	157
Deferred stock option compensation	14	22	64	87
Special charges	9	178	189	2,173
Gain on sale of businesses	-	(35)	(28)	(55)
Operating earnings (loss)	322	(142)	403	(3,435)
Other income (expense) - net	97	36	224	(9)
Interest expense				
Long-term debt	(42)	(41)	(176)	(215)
Other	-	(8)	(10)	(41)
Earnings (loss) from continuing operations before income taxes, minority interests and equity in net loss of associated companies	377	(155)	441	(3,700)
Income tax benefit (expense)	37	(8)	41	453
	414	(163)	482	(3,247)
Minority interests - net of tax	(25)	(12)	(61)	(21)
Equity in net earnings (loss) of associated companies - net of tax	1	8	(34)	(18)
Net earnings (loss) from continuing operations	390	(167)	387	(3,286)
Net earnings (loss) from discontinued operations - net of tax	109	(1)	353	20
Net earnings (loss) before cumulative effect of accounting change - net of tax	499	(168)	740	(3,266)
Cumulative effect of accounting change - net of tax	-	-	(8)	-
Net earnings (loss)	<u>\$ 499</u>	<u>\$ (168)</u>	<u>\$ 732</u>	<u>\$ (3,266)</u>
Basic earnings (loss) per common share ⁽³⁾				
- from continuing operations	\$ 0.09	\$ (0.04)	\$ 0.09	\$ (0.86)
- from discontinued operations	\$ 0.03	\$ -	\$ 0.08	\$ 0.01
Basic earnings (loss) per common share ⁽³⁾	<u>\$ 0.12</u>	<u>\$ (0.04)</u>	<u>\$ 0.17</u>	<u>\$ (0.85)</u>
Diluted earnings (loss) per common share ⁽⁴⁾				
- from continuing operations	\$ 0.09	\$ (0.04)	\$ 0.09	\$ (0.86)
- from discontinued operations	\$ 0.02	\$ -	\$ 0.08	\$ 0.01
Diluted earnings (loss) per common share ⁽⁴⁾	<u>\$ 0.11</u>	<u>\$ (0.04)</u>	<u>\$ 0.17</u>	<u>\$ (0.85)</u>
Weighted average number of common shares (millions)				
- basic ⁽³⁾	4,337	4,335	4,336	3,838
- diluted ⁽⁴⁾	4,356	4,335	4,343	3,838

(1) These unaudited consolidated results for the three months and year ended December 31, 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 year ended December 31, 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 year ended December 31, 2003 was \$7 and \$26, respectively.

(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 December 31, 2003 and 2002 were 214 and 485 (in millions), respectively. The minimum number of common shares to be issued on a weighted basis for the year ended December 31, 2003 and 2002 were 378 and 270 (in millions), respectively.

(4) As a result of the reported net losses from continuing operations for the three months ended December 31, 2002, approximately 205 (in millions) 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 year ended December 31, 2002, approximately 195 (in millions) 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. For the year ended December 31, 2003, approximately 180 (in millions) of potentially dilutive securities related to our \$1,800 4.25 per cent convertible debt were not included in the calculation of diluted earnings per common share because to do so would have been anti-dilutive.