

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report
(date of earliest event reported)
October 17, 2002

NORTEL NETWORKS CORPORATION

(Exact name of registrant as specified in its charter)

CANADA	001-07260	not applicable
<hr/>	<hr/>	<hr/>
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

8200 Dixie Road, Suite 100, Brampton, Ontario, Canada

(address of principal executive offices)

L6T 5P6

(Zip code)

Registrant's telephone number, including area code (905) 863-0000.

Item 5. Other Events

On October 17, 2002, the Registrant issued its financial results for the third quarter and first nine months of 2002.

The Registrant stated that revenues from continuing operations were US\$2.36 billion for the third quarter of 2002 compared to US\$3.69 billion in the same period in 2001. The Registrant reported a net loss in the third quarter of 2002 of US\$1.80 billion, or US\$0.42 per common share, compared to a net loss of US\$3.47 billion, or US\$1.08 per common share, in the third quarter of 2001.

Consistent with its quarterly review procedures, the Registrant performed an evaluation of the recoverability of its deferred income tax assets as at September 30, 2002 and determined that it was appropriate to recognize certain additional tax valuation allowances of US\$450 million (which more than offset the US\$325 million income tax benefit recorded in the third quarter of 2002), resulting in a reported net income tax charge of US\$125 million for the third quarter. The increase in the valuation allowance was primarily the result of the uncertainty regarding the timing of a meaningful recovery in the telecom market^(a).

The Registrant had a strong cash balance at the end of the third quarter of 2002 of approximately US\$4.59 billion, which included approximately US\$420 million of restricted cash used as cash collateral for certain customer performance bonds and contracts. In light of the cash position and anticipated financial performance, the Registrant expects the US\$1.5 billion Nortel Networks credit facilities, that mature mid-December 2002 and which are currently undrawn, will not be amended or extended and will expire on that date. The Registrant will continue to monitor its financial position and that of Nortel Networks Limited in light of the terms of the remaining syndicated credit facilities.

The Registrant continues to focus on cash management and expects to have more than sufficient cash to fund its current business model, manage its investments and meet its customer commitments. The Registrant expects to have a cash balance in excess of US\$3 billion at end of 2002. In 2003, the Registrant will drive the business to profitability and in conjunction, it expects to fund restructuring costs of approximately US\$900 million and make scheduled debt repayment of approximately US\$200 million.

The Registrant recorded a strong gross margin of 38 percent for the third quarter of 2002.

The Registrant expects ongoing pressure on customer capital spending well into 2003. Focusing on its top priority of returning to profitability by the second quarter of 2003, the Registrant will continue to reduce its cost structure and drive to a break even model to be in place for the second quarter of 2003 (not including costs related to acquisitions and any special charges and gains) at quarterly revenues of below US\$2.4 billion. The Registrant continues to expect a workforce of approximately 35,000 to support this break even model.

The decline in the world capital markets and global interest rates over the past year have had a significant negative impact on the investment assets of the Registrant's registered pension plans which are managed by third parties. As a result, the Registrant expects to record at December 31, 2002 a non-cash charge to shareholders' equity, currently expected to be between US\$600 million to US\$700 million, related to the increase in the minimum required recognizable deficit associated with these registered pension plans. In 2002, the Registrant has made all required cash contributions to its registered pension plans as well as additional voluntary contributions. To date in 2002, the total of cash contributions already made by the Registrant to its registered pension plans was approximately US\$150 million.

Third quarter 2002 revenues from continuing operations reflected the realignment of the previously reported Metro and Enterprise Networks segment into the Wireline Networks segment and the Enterprise Networks segment. The Optical Networks and Wireless Networks segments remained unchanged.

- (a) Effective January 1, 2002, the Registrant adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". Footnote (2) to the above consolidated results (unaudited) tables discloses the effect on both the reported net loss and reported basic and diluted loss per common share for the three months and nine months ended September 30, 2001 of the Statement's requirement to cease amortization of goodwill had the Statement been in effect beginning January 1, 2001.

Certain information included in this report is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Factors which could cause results or events to differ from current expectations include, among other things: the severity and duration of the industry adjustment; the sufficiency of Nortel Networks restructuring activities, including the potential for higher actual costs to be incurred in connection with restructuring actions compared to the estimated costs of such actions; successful implementation of Nortel Networks new organization structure; fluctuations in operating results and general industry, economic and market conditions and growth rates; the ability to recruit and retain qualified employees; fluctuations in cash flow; the level of outstanding debt and debt ratings; the ability to meet financial covenants contained in Nortel Networks credit agreements; the ability to make acquisitions and/or integrate the operations and technologies of acquired businesses in an effective manner; the impact of rapid technological and market change; the impact of price and product competition; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; the impact of rationalization in the telecommunications industry; the dependence on new product development; the uncertainties of the Internet; the impact of the credit risks of Nortel Networks customers and the impact of increased provision of customer financing and commitments; stock market volatility; the entrance into an increased number of supply, turnkey, and outsourcing contracts which contain delivery, installation, and performance provisions, which, if not met, could result in the payment of substantial penalties or liquidated damages; the ability to obtain timely, adequate and reasonably priced component parts from suppliers and internal manufacturing capacity; the future success of Nortel Networks strategic alliances; and the adverse resolution of litigation. For additional information with respect to certain of these and other factors, see the reports filed by the Registrant and Nortel Networks Limited with the United States Securities and Exchange Commission. Unless otherwise required by applicable securities laws, the Registrant and Nortel Networks Limited disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

- (c) Exhibits.

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NORTEL NETWORKS CORPORATION

By: /s/ DEBORAH J. NOBLE
Deborah J. Noble
Corporate Secretary

By: /s/ DOUGLAS C. BEATTY
Douglas C. Beatty
Chief Financial Officer

Dated: October 22, 2002