

**NORTEL NETWORKS CORPORATION**  
**Consolidated Statements of Cash Flows (unaudited)**

<i>(US GAAP; millions of U.S. dollars)</i>	<b>March 31, 2005</b>	<b>March 31, 2004</b>
<b>Cash flows from (used in) operating activities</b>		
Net earnings (loss) from continuing operations	\$ (51)	\$ 58
Adjustments to reconcile net earnings (loss) from continuing operations to net cash from (used in) operating activities, net of effects from acquisitions and divestitures of businesses:		
Amortization and depreciation	82	90
Equity in net (earnings) loss of associated companies - net of tax	(1)	1
Stock option compensation	19	15
Deferred income taxes	8	(4)
Other liabilities	78	60
(Gain) loss on sale or write down of investments, businesses and assets	6	(33)
Other - net	(105)	27
Change in operating assets and liabilities	(298)	(554)
Net cash from (used in) operating activities of continuing operations	(262)	(340)
<b>Cash flows from (used in) investing activities</b>		
Expenditures for plant and equipment	(54)	(43)
Proceeds on disposals of plant and equipment	-	5
Acquisitions of investments and businesses - net of cash acquired	(2)	(3)
Proceeds on sale of investments and businesses	83	55
Net cash from (used in) investing activities of continuing operations	27	14
<b>Cash flows from (used in) financing activities</b>		
Dividends paid by subsidiaries to minority interests	(14)	(9)
Increase in notes payable	20	10
Decrease in notes payable	(26)	(13)
Repayments of long-term debt	-	(97)
Repayments of capital leases payable	(1)	(3)
Issuance of common shares	-	30
Net cash from (used in) financing activities of continuing operations	(21)	(82)
Effect of foreign exchange rate changes on cash and cash equivalents	(35)	13
Net cash from (used in) continuing operations	(291)	(395)
Net cash from (used in) in operating activities of discontinued operations	36	(3)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(255)</b>	<b>(398)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,686</b>	<b>3,997</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 3,431</b>	<b>\$ 3,599</b>

Please refer to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 including the Notes to the Consolidated Financial Statements (unaudited)