

**NORTEL NETWORKS CORPORATION**  
**Consolidated Statements of Operations for the years ended December 31**

<i>(U.S. GAAP, millions of U.S. dollars, except per share amounts)</i>	<b>2003</b>	<b>2002</b>	<b>2001</b>
		As restated	As restated
Revenues	\$ 10,193	\$ 11,008	\$ 18,900
Cost of revenues	5,852	7,103	14,612
Gross profit	4,341	3,905	4,288
Selling, general and administrative expense	1,939	2,553	6,111
Research and development expense	1,960	2,083	3,116
In-process research and development expense	-	-	15
Amortization of intangibles			
Acquired technology and other	101	157	806
Goodwill	-	-	4,058
Deferred stock option compensation	16	110	248
Special charges			
Goodwill impairment	-	595	11,426
Other special charges	284	1,500	3,390
(Gain) loss on sale of businesses and assets	(4)	(21)	138
Operating earnings (loss)	45	(3,072)	(25,020)
Other income (expense) - net	445	(5)	(506)
Interest expense			
Long-term debt	(181)	(220)	(208)
Other	(28)	(52)	(103)
Earnings (loss) from continuing operations before income taxes, minority interests and equity in net loss of associated companies	281	(3,349)	(25,837)
Income tax benefit (expense)	80	468	2,751
	361	(2,881)	(23,086)
Minority interests - net of tax	(63)	5	(34)
Equity in net loss of associated companies - net of tax	(36)	(17)	(150)
Net earnings (loss) from continuing operations	262	(2,893)	(23,270)
Net earnings (loss) from discontinued operations - net of tax	184	(101)	(2,467)
Net earnings (loss) before cumulative effect of accounting changes	446	(2,994)	(25,737)
Cumulative effect of accounting changes - net of tax	(12)	-	15
Net earnings (loss)	\$ 434	\$ (2,994)	\$ (25,722)
Basic earnings (loss) per common share			
- from continuing operations	\$ 0.06	\$ (0.75)	\$ (7.30)
- from discontinued operations	0.04	(0.03)	(0.78)
Basic earnings (loss) per common share	\$ 0.10	\$ (0.78)	\$ (8.08)
Diluted earnings (loss) per common share			
- from continuing operations	\$ 0.06	\$ (0.75)	\$ (7.30)
- from discontinued operations	0.04	(0.03)	(0.78)
Diluted earnings (loss) per common share	\$ 0.10	\$ (0.78)	\$ (8.08)
Dividends declared per common share	\$ -	\$ -	\$ 0.0375

*Please refer to our Annual Report on Form 10-K for the year ended December 31, 2003 including the Notes to the Audited Consolidated Financial Statements*