

NORTEL NETWORKS CORPORATION
Consolidated Balance Sheets (unaudited)

<i>(US GAAP; millions of U.S. dollars)</i>	September 30, 2004	December 31, 2003
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,390	\$ 3,997
Restricted cash and cash equivalents	77	63
Accounts receivable - net	2,134	2,505
Inventories - net	1,503	1,190
Income taxes recoverable	53	90
Deferred income taxes - net	229	369
Other current assets	312	315
Total current assets	7,698	8,529
Investments	170	244
Plant and equipment - net	1,591	1,656
Goodwill	2,304	2,305
Intangible assets - net	79	86
Deferred income taxes - net	3,610	3,397
Other assets	337	374
Total assets	\$ 15,789	\$ 16,591
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable	\$ 13	\$ 17
Trade and other accounts payable	703	861
Payroll and benefit-related liabilities	507	764
Contractual liabilities	636	530
Restructuring liabilities	190	206
Other accrued liabilities	2,400	2,505
Long-term debt due within one year	13	119
Total current liabilities	4,462	5,002
Long-term debt	3,862	3,891
Deferred income taxes - net	170	191
Other liabilities	2,938	2,945
Total liabilities	11,432	12,029
Minority interests in subsidiary companies	619	617
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Common shares, without par value - Authorized shares: unlimited; Issued and outstanding shares: 4,272,671,213 as of September 30, 2004 and 4,166,714,475 as of December 31, 2003	33,840	33,674
Additional paid-in capital	3,261	3,341
Accumulated deficit	(32,716)	(32,532)
Accumulated other comprehensive loss	(647)	(538)
Total shareholders' equity	3,738	3,945
Total liabilities and shareholders' equity	\$ 15,789	\$ 16,591

Please refer to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 including the Notes to the Consolidated Financial Statements (unaudited) and Management's Discussion and Analysis of Financial Condition and Results of Operations.