

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits**

December 31, 2004
(in thousands of dollars)

	2004	2003
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 23,568	\$ 29,712
Provincial	85,297	88,720
Corporate	30,083	23,575
	138,948	142,007
Cash and short-term investments	6,563	8,639
	145,510	150,646
ACCRUED INTEREST	2,190	2,401
DUE FROM SPONSORING COMPANY	20,290	19,991
LONG-TERM RECEIVABLE (NOTE 3)	521	521
	23,000	22,913
TOTAL ASSETS	168,510	173,559
ACCRUED CLAIMS PAYABLE (Note 2)	(8,012)	(7,995)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	\$ 160,499	\$ 165,564

ON BEHALF OF NORTEL NETWORKS LIMITED

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2004**

2004 Cost Value of Reserves Assets

Long-term Disability Plan	\$73,516
Survivor Income Benefit Plan	16,490
Survivor Transition Benefit Plan	-
Pensioners' Insurance Plan [Core Life]	53,918
Employees Group Life - Part II [Optional Life]	16,576
NET ASSETS AVAILABLE FOR BENEFITS	\$160,500

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 2004, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and Survivor Transition Benefit Plan at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 2004 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	2004		2003	
	Present Value of Future Payments (\$'000)	Cost Value of Reserved Assets	Present Value of Future Payments (\$'000)	Cost Value of Reserved Assets
Long-term Disability Plan	\$ 104,138	\$ 73,516	\$ 102,641	\$ 72,735
Survivor Income Benefit Plan	17,068	16,490	18,198	17,026
Survivor Transition Benefit Plan	359	-	1,055	-
	\$ 121,565	\$ 90,006	\$ 121,894	\$ 89,761

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this Plan, dated as at January 1, 2002, indicates that, at that date, the actuarial liabilities amounted to \$74,931,000 and the market value of the assets amount to \$63,551,000. Therefore, there exists a funding deficiency of \$11,380,000. The interest rate actuarial assumption is 7.0% per annum.

The Plan, as at December 31, 2004, has assets reserved with a book value of \$53,918,000 (2003 - \$57,059,000).

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 2004 totaled \$16,576,000 (2003 - \$18,744,000).

2004 Cost Value of Reserve Assets

Pensioners, Active and LTD Employees Medical and Dental Benefits Plans	NONE
Active and LTD Employees Core Life Insurance Plans	NONE