NORTEL

December 5, 2008

International Accounting Standards Board
1st Floor
30 Cannon Street
London, EC4M 6XH
United Kingdom

Re: Simplifying Earnings per Share (an Exposure Draft of Proposed Amendments to IAS 33)

Dear Board Members:

Nortel Networks Corporation (Nortel) appreciates the opportunity to comment on the exposure draft of proposed amendments to IAS 33 "Simplifying Earnings per Share." Nortel supports the Board's attempt to improve the usefulness of information to investors and to develop a global standard in conjunction with the Financial Accounting Standards Board in the United States of America.

Nortel is a global supplier of communications equipment, software and services, serving both telephone service provider and business and governmental enterprise customers, with over $10 billion in revenues. Our business is conducted globally with regional organizations in: Europe, the Middle East and Africa; Asia; the Caribbean and Latin America; and North America. While we are headquartered in Toronto, Ontario, Canada, our securities are traded on the New York and Toronto Stock Exchanges and we presently follow accounting principles generally accepted in the United States of America.

The body of this letter includes our general comments and observations on the proposed amendments. Appendix A to this letter includes our responses to Questions 1, 3, 4 and 6 raised by the Board.

We support the Board's decision to include in basic EPS ordinary shares and instruments which have a right (or are deemed to have a right) to participate currently in profit or loss of the period while at the same time allowing for more types of instruments to be included. This definition better reflects the actual shareholder position by capturing all shares with an immediate potential to participate in earnings and to preclude any impact on the EPS calculation of non-substantive options, warrants, etc. We would point out in the latter regard the definition of ordinary shares currently issuable in paragraph 19 of the exposure draft suggests vested stock options issued with an exercise price equal to fair market value at the time of grant, but significantly lower than the market price at the end of a reporting period, may need to be included in the computation of basic earnings per share. We suggest the Board either clarify the "non-substantive" objective referenced above or provide a specific exclusion for stock compensation granted with an exercise price equal to fair market value at the time of grant.

We support the proposed use of end-of-period market price instead of average market price when calculating proceeds from the assumed exercise of dilutive options, warrants and their equivalents as we believe it provides a more current view of shareholder participation in earnings. We also support the reduction in complexity while acknowledging it could result in significantly different outcomes for companies experiencing significant fluctuations in stock price.

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We appreciate the opportunity to comment on the exposure draft. If you would like to further discuss any of our comments, please do not hesitate to contact me at (905) 863-7253 or pkarr@nortel.com.

Sincerely,

Paul W Karr

Paul W. Karr
Controller
Nortel Networks Corporation

C: Paviter S. Binning, Executive Vice President and Chief Financial Officer

APPENDIX A

Question 1 – Mandatorily convertible instruments and instruments issuable for little or no cash or other consideration
Paragraph 18 and 19 of the exposure draft propose that the weighted average number of ordinary shares should include only instruments that give (or are deemed to give) their holder the right to share currently in profit or loss of the period. If ordinary shares issuable for little or no cash or other consideration or mandatorily convertible instruments do not meet this condition, they will no longer affect basic EPS.

(a) *Do you agree that the weighted average number of ordinary shares for basic EPS should include only instruments that give (or are deemed to give) their holder the right to share currently in profit or loss of the period? Why or why not?*
(b) *Does the exposure draft apply this principle correctly to mandatorily convertible instruments and ordinary shares issuable for little or no cash or other consideration? Why or why not?*

Response 1
We support the Board's decision to limit the inclusion of ordinary shares and instruments in basic EPS to only those that have a right (or are deemed to have a right) to participate currently in profit or loss of the period while at the same time allowing for more types of instruments to be included. This definition better reflects the actual shareholder position by capturing all shares issuable imminently that have an immediate potential to participate in earnings. We would like to point out that the definition of ordinary shares currently issuable for little or no cash or other consideration (paragraph 19 of the exposure draft) suggests that vested stock options issued with an exercise price at a very low fair market value or equal to fair market value at the time of grant but one that is significantly lower than the market price at the end of a reporting period may need to be included in the computation of basic earnings per share. We would suggest the Board consider a specific exclusion for stock compensation granted with an exercise price equal to fair market value at the time of grant as the stock options only become shares if the exercise action is initiated by the holder. Absent a specific exclusion, we suggest the Board articulates that the intent of the principle in this paragraph is

to eliminate non-substantive options which in our opinion means that "little or no cost" to the holder should be evaluated based on the exercise price relative to the price of the underlying shares on the grant date when dealing with stock-based compensation.

Question 3 – Instruments that are measured at fair value through profit or loss

For an instrument (or the derivative component of a compound instrument) that is measured at fair value through profit or loss, paragraphs 26 and A28 propose that an entity should not:

(a) adjust the diluted EPS calculation for the assumed exercise or conversion of that instrument; or
(b) apply the guidance for participating instruments and two-class ordinary shares in paragraphs A23-A28

Do you agree that the fair value changes sufficiently reflect the effect on ordinary equity holders or instruments measured at fair value through profit or loss and that recognising those changes in profit or loss eliminates the need for further adjustment to the calculation of EPS? Why or why not?

Response 3

When an entity measures an instrument at fair value through profit or loss, the change in the fair value of the instrument affects the interest of the ordinary shares in the entity's performance. We agree that in such circumstances, no further adjustments or alternate presentation formats are necessary to fairly reflect EPS for ordinary shares.

Question 4 – Options, warrants and their equivalents

For the calculation of diluted EPS, an entity assumes the exercise of dilutive options, warrants and their equivalents that are not measured at fair value through profit or loss. Similarly, paragraph 6 of this exposure draft proposes clarifying that to calculate diluted EPS and entity assumes the settlement of forward contracts to sell its own shares, unless the contract is measured at fair value through profit or loss. In addition, the boards propose that *the ordinary shares arising from the assumed exercise or settlement of those potential ordinary shares should be regarded as issued at the end-of-period market price, rather than at their average market price during the period.*

(a) Do you agree that to calculate diluted EPS an entity should assume the settlement of forward sales contracts on its own shares in the same way as options, warrants and their equivalents? Why or why not?
(b) Do you agree that ordinary shares arising from the assumed exercise or settlement of options, warrants and their equivalents should be regarded as issued at the end-of-period market price? Why or why not?

Response 4
Currently we do not hold any forward sales contracts on our own shares and therefore, decline to comment on (a) above. With respect to point (b), we support the proposed use of end-of-period market price compared to average market price when calculating proceeds from the assumed exercise of dilutive options, warrants and their equivalents as we believe it provides a good "point-in-time" view of the actual shareholder position. Although it could result in significantly different outcomes relative to the current guidance for companies experiencing significant fluctuations in stock price or significant continuous trending, we recognize that the proposed approach could be implemented with little operational difficulty.

Question 6 – Disclosure requirements
The Board does not propose additional disclosures beyond those disclosures already required in IAS 33.

Are additional disclosures needed? If so, what additional disclosures should be provided and why?

Response 6
We support the Board's view that the current disclosure requirements are sufficient and, therefore, no additional disclosure is required under the revised statement.