



News Release

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BT, Nortel to Develop UK National Defence Communications Network *New Network Development Lab Opens to Support BT Contract*

LONDON – BT is partnering with Nortel* [NYSE/TSX: NT] as its main supplier to deploy a nationwide communications network that will be used to provide secure managed voice and data services to the UK Ministry of Defence (MOD) and British Armed Forces.

The deployment is part of a five-year extension of the Defence Fixed Telecommunications Service (DFTS) contract with BT – worth up to £1.5 billion to BT – to build and manage the UK MOD's mission critical telecommunications infrastructure.

Using Nortel multiservice switching and voice over IP (VoIP) solutions valued at US\$42 million, the new network will be built out over the next two years. It is expected to provide improved security and responsiveness for the UK military and greater operational and end user efficiencies, resulting in an estimated savings of £15 million per year to the UK MOD.

The infrastructure will provide stable wide area network services in over 2,000 locations, including voice services to over 200,000 subscribers and common Ethernet-based connectivity to 150,000 terminals.

"We are working closely with Nortel to improve the effectiveness of the UK's defence communications network and the services it provides," said John Anderson, director, BT Government. "Today's announcement extends BT's successful management of the DFTS network since 1997 with a roll-out of consistent improvements and developments."

To ensure the smooth migration of current services and applications across the new multiservice network, BT and Nortel have jointly developed a dedicated testing facility for the MOD network. At a cost of over £3 million in technology alone, the Network Development Lab (NDL) is a captive replica of the MOD's telecommunications network. Officially opened today, the lab includes all existing equipment currently deployed in the UK MOD network, along with all new equipment being procured as part of the network evolution.

"The joint BT-Nortel lab will enable new technologies and services to be fully proven prior to delivery to the MOD, ensuring optimum service performance and quality," Anderson said.

"The communications technology decisions made by the MOD help determine the UK military's ability to operate efficiently, effectively and securely," said Chuck Saffell, president, Federal Solutions, Nortel. "Nortel worked closely with BT and the MOD to custom-design a solution to support mission-critical communications while reducing operational costs and increasing the efficient use of existing infrastructure."

BT and the Defence Communications Services Administration (DCSA), the operator of the DFTS, also plan to use the lab as an opportunity to showcase DFTS services that could be provided to third-party organisations, such as those in the defence industry or other government agencies that require an MOD-grade secure network.

Nortel provides robust networking solutions to defence, civil and intelligence agencies through its Nortel Federal Solutions organization. Supported by a world-class research and development organization, Nortel

Federal Solutions is focused on delivering converged solutions that provide the highest levels of reliability, security and quality of service for government agencies such as the UK MOD and the United States Department of Defense (DOD). The US DOD is using Nortel multiservice solutions for its voice network, and relies on Nortel solutions in all 50 states and more than two dozen countries across the globe.

About the UK Ministry of Defence

The Ministry of Defence is responsible for defending the United Kingdom, its overseas territories, people and interests as well as strengthening international peace and security. It employs more than 270,000 people and has an annual budget of £30 billion. The four main sectors within the MOD are the Royal Navy, Army, Royal Air Force and the ministry itself.

About BT

BT is one of the world's leading providers of communications solutions serving customers in Europe, the Americas and Asia Pacific. Its principal activities include networked IT services, local, national and international telecommunications services, and higher-value broadband and internet products and services.

BT consists principally of three lines of business:

- **BT Retail**, providing a comprehensive range of communications and related services to more than 20m UK consumers and businesses.
- **BT Wholesale**, providing network services and solutions within the UK to more than 600 fixed and mobile operators and service providers including the provision of broadband and private circuits.
- **BT Global Services**, providing networked IT services to meet the needs of multi-site organisations globally. BT Global Services operates in more than 130 countries and also offers international carrier services.

In the year ended 31 March 2005, BT Group's turnover was £18,623 million with profit before goodwill amortisation, exceptional items and taxation of £2,085 million.

BT Group plc is listed on stock exchanges in London and New York. British Telecommunications plc (BT) is a wholly-owned subsidiary of BT Group and encompasses virtually all businesses and assets of the BT Group.

For more information, visit www.bt.com/aboutbt.

About Nortel

Nortel is a recognized leader in delivering communications capabilities that enhance the human experience, ignite and power global commerce, and secure and protect the world's most critical information. Serving both service provider and enterprise customers, Nortel delivers innovative technology solutions encompassing end-to-end broadband, Voice over IP, multimedia services and applications, and wireless broadband designed to help people solve the world's greatest challenges. Nortel does business in more than 150 countries. For more information, visit Nortel on the Web at www.nortel.com. For the latest Nortel news, visit www.nortel.com/news.

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