

**Opening Address:**

This presentation will highlight the Multimedia Communication Systems businesses within Nortel.

About the presenter:

As president of Nortel's Multimedia Communication Systems global product organization, Rick Faletti is responsible for the company's design and manufacturing of voice, data and video digital communications products, systems and related application solutions to public carriers, businesses, institutions and other organizations around the world. He is responsible for 15 major product lines for Nortel, including: PBX, key systems, multimedia terminals, data communication products, ATM and broadband multimedia switching systems in addition to multimedia business application systems. He is also responsible for marketing, sales and service of the MCS product portfolio in North America including Global Accounts Marketing and Network Integration projects.

Faletti, who joined Nortel in 1976, has held various senior level management positions with Nortel and Nortel Technology (formerly BNR), the company's research and development subsidiary.

Rick Faletti is located in Richardson, Texas and reports to John Roth, President of Nortel North America, and Chief Operating Officer of Northern Telecom Ltd.

Inform '96

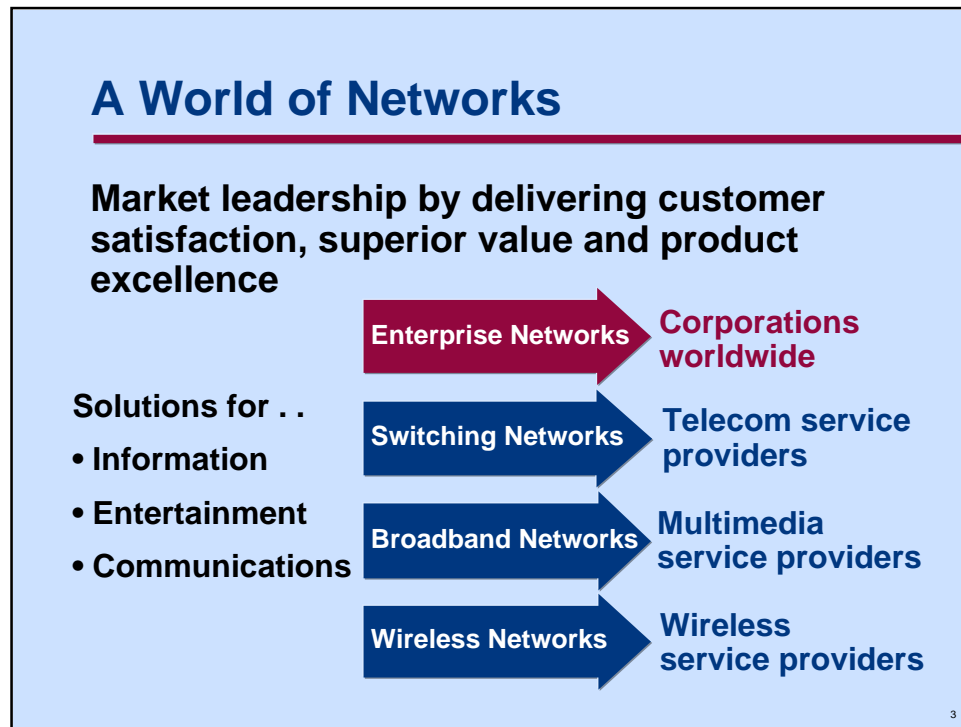
- **Share *your successes***
 - over 286 networks in 190 countries
 - advanced networks for service providers
 - advanced networks for enterprise
 - networks that span the globe
- **Increase the *value of your network***
 - evolution to multimedia applications
- **“Hot” topics**
 - ATM multimedia networking
 - frame relay services
 - access and the Internet
 - network consolidation
 - network management

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Inform '96:

Welcome to Inform '96. A special welcome to our new customers from around the world. Inform '96 is the opportunity to share our successes, our visions and our plans. The session will focus on extending the value of your networks and it will cover today's hot topics in networking.

1995 was a great year for Magellan. And since May 1995, we have added 86 new customers. We had excellent momentum on all the new products and continued strong performance from the DPN-100 portfolio.



Nortel—A World of Networks:

Nortel's objective is to become one of the top five global equipment vendors. In order to achieve this objective four lines of business have been established based on delivering network solutions for our diverse customers around the world.

Each line of business within Nortel has both a product line responsibility as well as a customer focus, as shown on this chart.

There are two important growth areas for Nortel. One is in the service provider market for wireless and PCS communications. The second important growth market is for enterprise networking.

MCS is focused on the enterprise network market.

It is important to understand that we define enterprise networking as delivering:

Global multimedia networks solutions for service providers and corporations.

Nortel - Enterprise Vision

Creating an enterprise networking future for *multimedia* that is *simple, cost-effective, and reliable* but more secure than a telephone call today

Leadership in . . .

- **Customer and employee satisfaction**
- **Superior network solution value**
- **Multimedia desktop communications**
- **Multimedia systems and network products**
- **End-to-end multimedia solutions**

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Nortel - enterprise vision:

Our vision is to create a networking future that removes many of today's barriers to communications and that is multimedia in scope and content.

To achieve this vision five key areas of leadership drive our businesses and strategies.

Customer Satisfaction

Lead the industry in customer satisfaction

	1994	1995	1996 targets
Nortel Global	71%	82%	
MCS Global	72%	80%	84%
Meridian 1		78%	83%
Norstar		86%	89%
Terminals		85%	88%
Magellan		78%	83%

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Customer satisfaction:

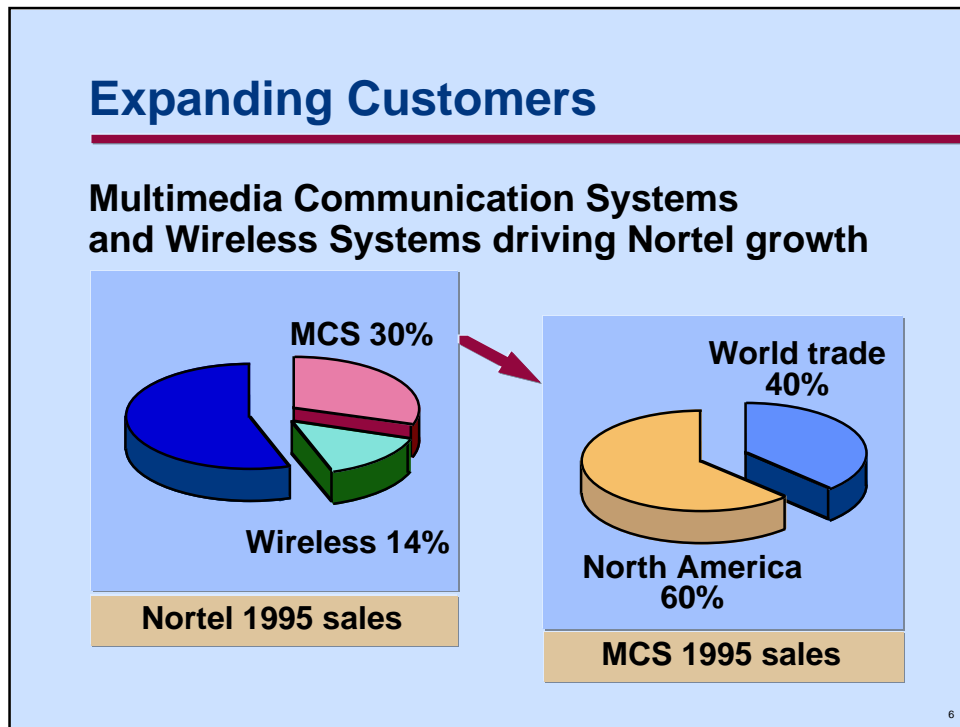
Our goal on customer satisfaction is to achieve an overall rating of 95%.

In 1995, Nortel overall improved customer satisfaction by 9 points.

As many of you know, our customer satisfaction scores are based on your ratings across a broad set of factors relating directly to your expectations of Nortel. These ratings are embedded as part of our employees' criteria for success.

We know that a 95% rating will require a concerted effort on our part to exceed your expectations—and that is our commitment to you.

- We know that there is a direct correlation between customer satisfaction and our success. We want to provide you with the best solution so we are both successful. Within MCS we have built our business around customer success both in terms of evolving through stages of network solutions and in expanding our customers around the world.
- The business objectives for growth that we have established for MCS are dependant upon continued improvement in customer satisfaction and customer loyalty.



Expanding customers:

In 1995 Nortel's growth in sales have been driven by the growth in wireless communications and enterprise networks. Nortel also experienced strong growth in markets outside of North America.

Within MCS 40% of our sales come from world trade. We are seeing continued growth in all markets and a strong opportunity for global networks for both service providers and corporations.

The overall success of Nortel is directly related to the expanded customers and markets, as well as, the continued focus on customer satisfaction and success.

Your Satisfaction is Our Success

All categories exceed industry performance

	1994	1995	'95/'94 growth
Nortel (US\$)	\$8.9B	\$10.7B	20%
MCS Global	\$2.5B	\$3.3B	30%
Meridian 1			19%
Norstar			11%
Terminals			16%
Magellan			46%
Companion			67%

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Your satisfaction is our success:

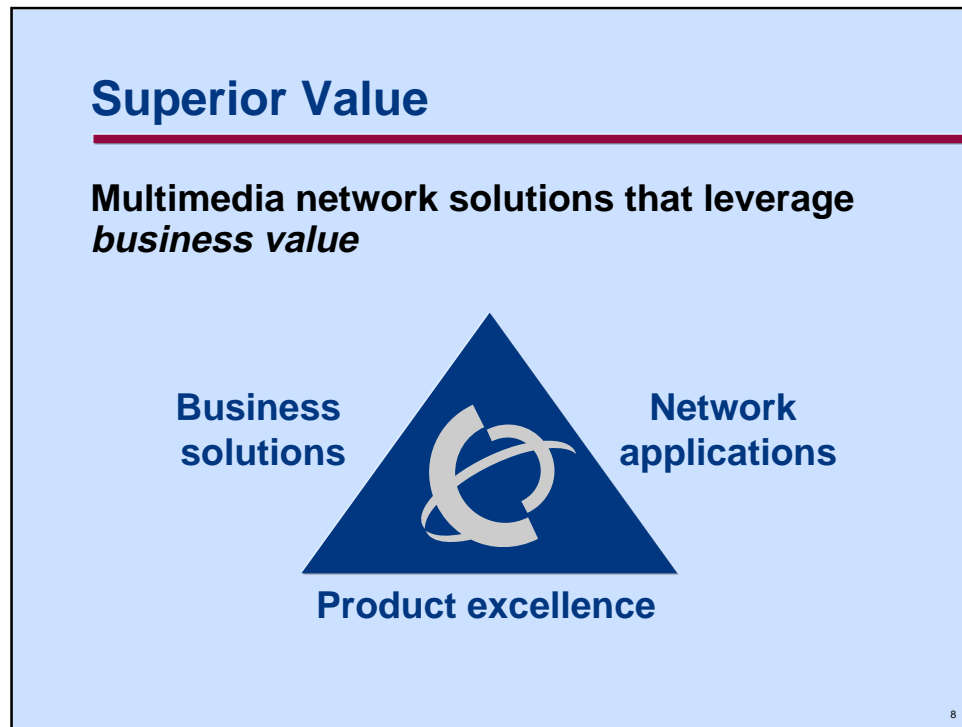
Nortel reported sales of \$10.7 billion in 1995. For Nortel this represented a 20% year-over-year growth in sales. In MCS, our businesses grew by 30% in 1995 versus 1994. In all sectors we have sustained growth rates well above the industry average.

We are particularly pleased with the customer response in the businesses in which we introduced new products:

- **Companion**, our family of wireless systems for building and campus
- **Magellan** with **Passport** and two new products **Vector** and **Concorde**

Meridian 1, **Norstar** and **DPN-100** continue to outpace the industry in growth and market share leadership.

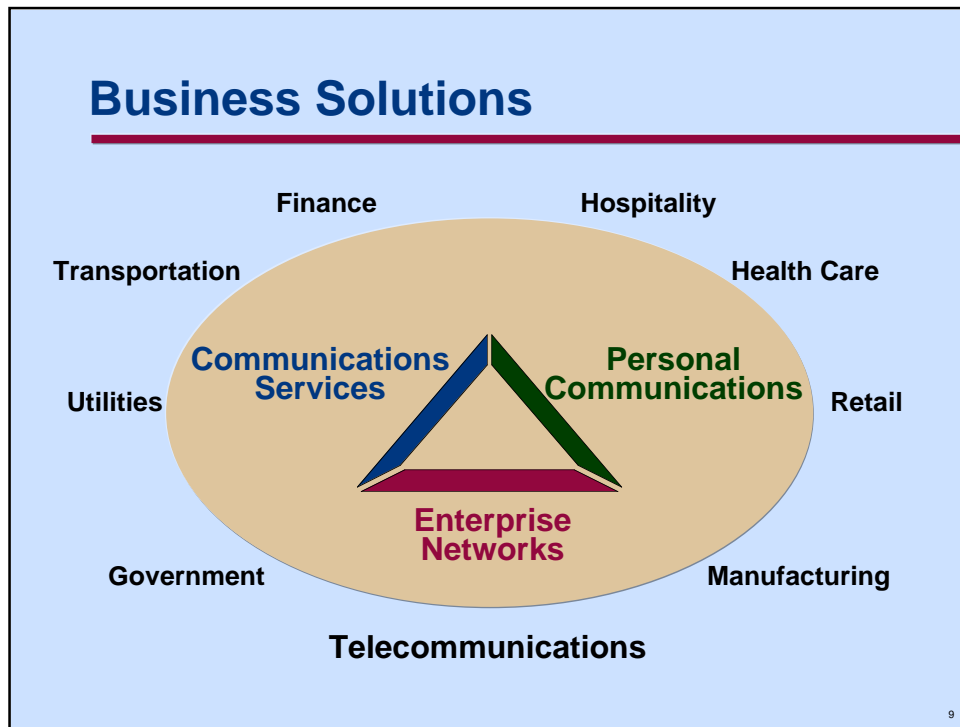
Our objective is to build on this momentum in 1996.

**Superior value:**

When we talk about enterprise solutions we are referring to three important aspects as viewed by our customers—business solutions, product excellence and network applications.

- We are delivering a comprehensive set of world class products that address the diverse needs for multimedia digital networks. Our products are based on global platforms allowing our customers to build global network solutions, cost-effectively and with consistent network capability.
- We are understanding and partnering with our customers on specific solutions that they require for their business. Most corporations today see a direct link between network solutions and the success of their core business.

Our customers are unique not just in terms of industry but also in the specific networking strategies and applications that are key to their success.

**Business solutions:**

Network applications ultimately address business solutions and include:

- 1) networks within the enterprise expanding to meet the needs of the corporation;
- 2) communications services for multimedia networking, remote access and home access; and
- 3) personal communications that address mobility and wireless solutions for corporations.

MCS has provided diverse network solutions in all industries for voice, data and, increasingly, multimedia applications.

Product Excellence

Magellan – multimedia, ATM and data networks

- 45,000+ systems worldwide
- Multiple Passport awards
- Complete ATM portfolio
- Leader in multimedia ATM networking
- Global leader in packet switching

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Product excellence – Magellan:

Passport's strong market performance in 1995 has been recognized by the industry, some examples are:

- One of our new customers MFS, was granted an award for service innovation at the InterOp last Fall. Voice-over-ATM on **Passport** was the basis for the award.
- The award at InterOp last Fall for **Passport** in the best-in-show product category.
- In January of this year, **Passport** was selected by *Data Communications Magazine* as the Hot New Networking Product for 1995.

With the introduction of **Vector** and **Concorde**, we are now positioned to offer the most complete ATM product portfolio in the industry for both service providers and corporate networks.

With **Passport** we have set the standard for the ATM enterprise network switch within the industry and we expect to maintain our lead in the market.

In 1995 the **Magellan DPN-100** product line, including access products, also showed continued strong growth around the world as the first choice for packet switching networks.

Product Excellence

Market leader in switching, network applications and personal mobility

- **Meridian 1**
 - global market share leader
 - PBX systems, voice messaging, call centers
- **Norstar**
 - global market share leader
 - key systems
- **Companion**
 - global market share leader
 - enterprise mobility

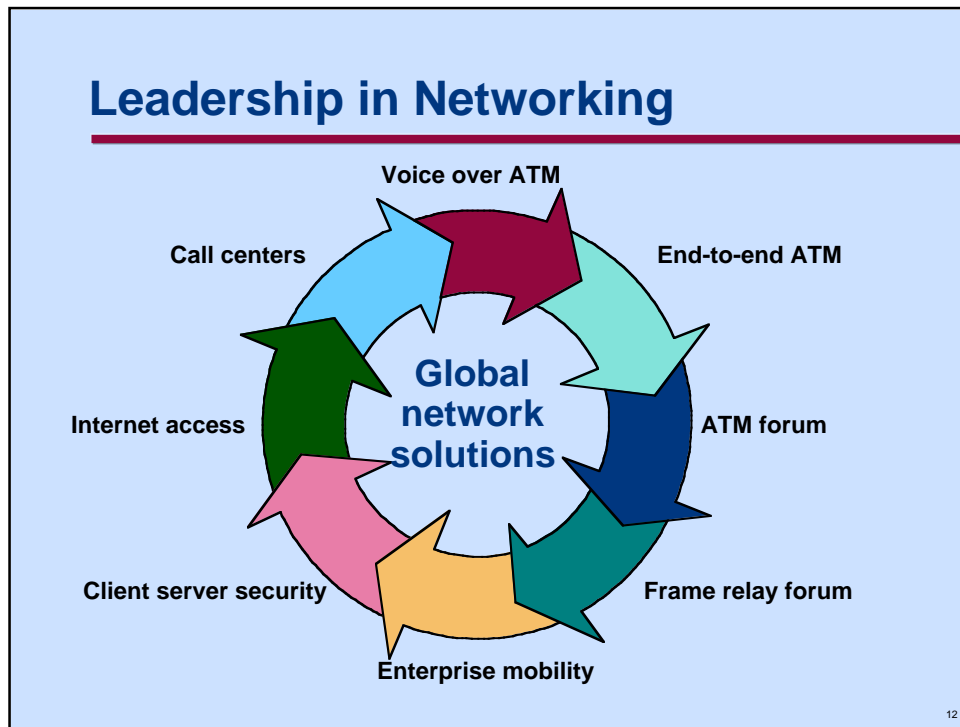
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Product excellence - MCS:

MCS has established a market leadership position in all of the portfolios. Measured by global market share we lead in:

- PBX Systems with **Meridian 1**
- Voice messaging systems with **Meridian Mail**
- Key systems with **Norstar**
- Call centers with **Meridian Call Center**
- Enterprise mobility with **Companion**

To address the growth opportunities in the “Internet” market, **Entrust** is an industry leader in security, key management and authentication applications. We have recently launched a new product line **Rapport** for dial access services and the customer response has been very strong.



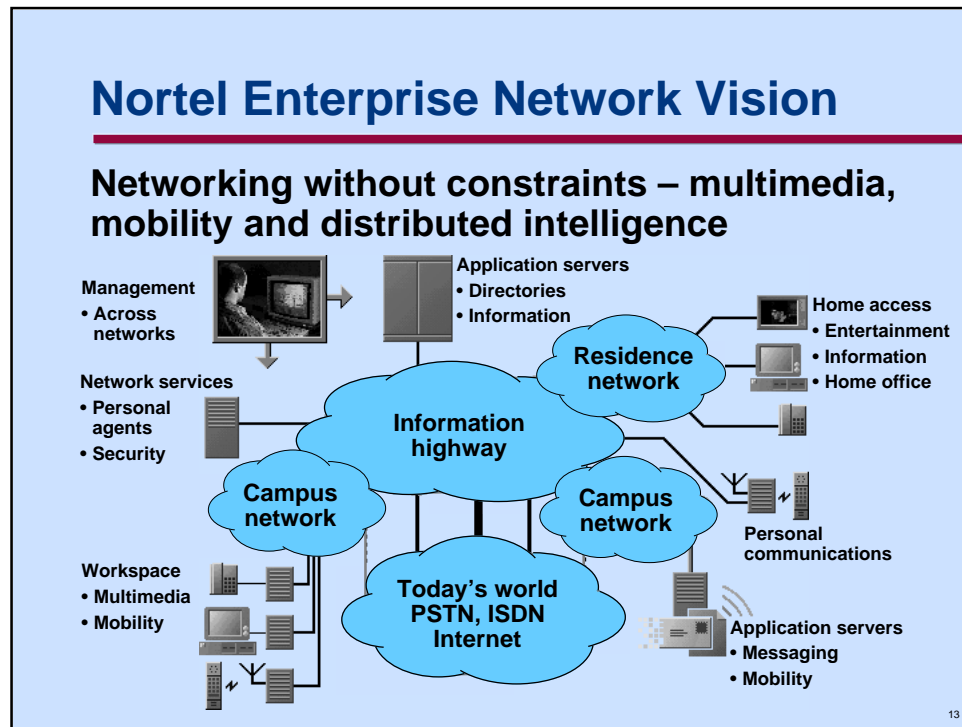
Leadership in networking:

In 1995 Nortel reported R&D investments of close to \$1.6 billion (U.S.). This was growth over 1994 of 35%.

The key areas of technology investment for MCS are:

- ATM technology applied to multimedia networking applications
- Frame relay networks
- Desktop multimedia communications (multimedia messaging)
- Advanced call centers for client server applications
- Internet access products for service providers and large corporations
- Speech recognition for interactive voice applications
- Display-based telephony both wireline and wireless

Our commitment to leadership has been visible in a number of areas within the industry: voice-over-ATM, end-to-end ATM solutions with our partners, ATM Forum founding member, Frame Relay Forum founding member, industry leader in enterprise mobility, client server security applications, new Internet access solutions, and advanced call centers using CTI and voice recognition.



Nortel Enterprise Network Vision:

Since 1991 MCS has architected a framework for enterprise networks. This framework, Multimedia Communications Systems Architecture (MCSA), defines the principles and standards for creating open, collaborative products to provide end-to-end enterprise network solutions for customers of all sizes.

The key to this architecture is to enable applications to work effectively across related products and to broaden the solutions to encompass mobility as a natural extension of the enterprise network.

With this strategy, we have expanded our products on several dimensions. We have moved from circuit switching for voice and packet switching for data environments to products that address multimedia networks. From fixed network architectures we have moved to dynamic bandwidth networks and mobility solutions, including wireless.

We have also delivered a number of network applications that add value to enterprise networks in a customer solution context. We expect that over the next few years, applications that effectively bridge the media domains of voice, data and video will play a prominent role within corporate networks.

Making our Vision our Reality

Nortel, the first multimedia ATM enterprise network supporting *all mission-critical applications*

- **First wide-area multimedia ATM network**
- **First to consolidate voice and data over ATM**
- **First to interconnect 70% of U.S. population with ATM**
- **First to use voice compression over ATM**
- **Rapid global expansion in '96**

Leadership in enterprise multimedia networks

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Making our vision our reality:

In 1995 we initiated a whole scale transformation of Nortel's internal network. The objectives of this transformation were:

- to demonstrate multimedia network leadership to our customers;
- to improve the performance of the network;
- to improve the value of the network particularly for multimedia applications; and
- to reduce the cost of networking.

In establishing this ATM network in North America, Nortel led the industry in the applications of ATM within an enterprise network. Nortel has proven the value of adopting a network strategy for multimedia.

In 1996, the ATM network is being deployed worldwide.

Making your Vision your Reality

- **Industry leadership together**
- **Multimedia solutions today**
- **Build on your success**

Nortel Magellan – recognized industry leadership in multimedia networking

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Market leadership by delivering:

- **customer satisfaction;**
- **superior value; and**
- **product excellence.**