



**New Era. New Company.**



**SBC + AT&T**

**A Premier Provider for a  
New Era of Communications**



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# Agenda

## Strategic Overview

### **Edward E. Whitacre Jr.**

Chairman and Chief Executive Officer  
SBC Communications

### **David W. Dorman**

Chairman and Chief Executive Officer  
AT&T

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## Operational Plans

### **Randall Stephenson**

Chief Operating Officer  
SBC Communications

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## Financial Summary

### **Rick Lindner**

Senior Executive Vice President  
and Chief Financial Officer  
SBC Communications

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## Q and A



# Cautionary Language Concerning Forward-Looking Statements

Information set forth in this [presentation/press release] contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results might differ materially. Such statements include, but are not limited to, statements about the benefits of the business combination transaction involving SBC and AT&T Corporation, including future financial and operating results, the new company's plans, objectives, expectations and intentions and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of SBC's and AT&T's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the ability to obtain governmental approvals of the transaction on the proposed terms and schedule; the failure of AT&T shareholders to approve the transaction; the risk that the businesses will not be integrated successfully; the risk that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; competition and its effect on pricing, spending, third-party relationships and revenues. Additional factors that may affect future results are contained in SBC's filings with the Securities and Exchange Commission ("SEC"), which are available at the SEC's Web site <http://www.sec.gov>. SBC disclaims any obligation to update and revise statements contained in this presentation based on new information or otherwise.

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# Note

**In connection with the proposed transaction, SBC intends to file a registration statement, including a proxy statement of AT&T Corp., and other materials with the Securities and Exchange Commission (the "SEC"). Investors are urged to read the registration statement and other materials when they are available because they contain important information.** Investors will be able to obtain free copies of the registration statement and proxy statement, when they become available, as well as other filings containing information about SBC and AT&T Corp., without charge, at the SEC's Internet site (<http://www.sec.gov>). These documents may also be obtained for free from SBC by directing a request to SBC Communications Inc., Stockholder Services, 175 E. Houston, San Antonio, Texas 78258. Free copies of AT&T Corp.'s filings may be obtained by directing a request to AT&T Corp., Investor Relations, One AT&T Way, Bedminster, New Jersey 07921.

SBC, AT&T Corp. and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from AT&T shareholders in respect of the proposed transaction. Information regarding SBC's directors and executive officers is available in SBC's proxy statement for its 2004 annual meeting of stockholders, dated March 11, 2004, and information regarding AT&T Corp.'s directors and executive officers is available in AT&T Corp.'s proxy statement for its 2004 annual meeting of shareholders, dated March 25, 2004. Additional information regarding the interests of such potential participants will be included in the registration and proxy statement and the other relevant documents filed with the SEC when they become available. **In connection with the proposed transaction, SBC intends to file a registration statement, including a proxy statement of AT&T Corp., and other materials with the Securities and Exchange Commission (the "SEC"). Investors are urged to read the registration statement and other materials when they are available because they contain important information.** Investors will be able to obtain free copies of the registration statement and proxy statement, when they become available, as well as other filings containing information about SBC and AT&T Corp., without charge, at the SEC's Internet site (<http://www.sec.gov>). These documents may also be obtained for free from SBC by directing a request to SBC Communications Inc., Stockholder Services, 175 E. Houston, San Antonio, Texas 78258. Free copies of AT&T Corp.'s filings may be obtained by directing a request to AT&T Corp., Investor Relations, One AT&T Way, Bedminster, New Jersey 07921.

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**Edward E. Whitacre Jr.**

**Chairman and Chief Executive Officer  
SBC Communications**



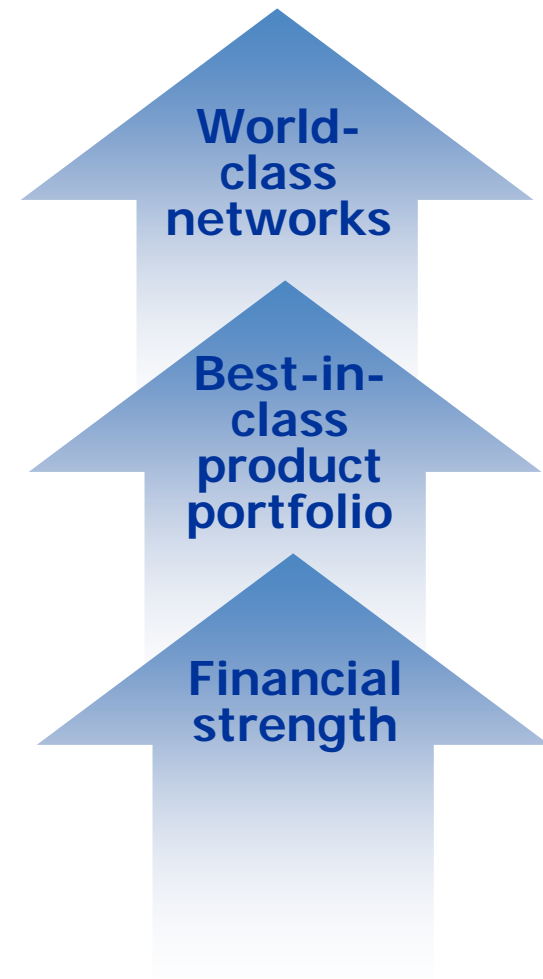
# World-Class Assets, Substantial Synergies

- > **Best-in-class, complementary networks** and product sets
- > A commitment to innovate in **advanced data and IP-based services**
- > **Financial strength** and flexibility
- > **Substantial synergies** driven by clear, achievable cost opportunities. Net synergies exceed the value of the stock issued.
- > Transaction expected to be **cash flow positive** in 2007, **earnings positive** in 2008



# Strategy

- > To create a **premier, global** provider with the capabilities to succeed in a new era of communications
- > Accelerate **expansion in growing enterprise space**
- > Help customers transition to **new technologies**, migrate **advanced solutions and products** from high-end to mass market
- > Realize significant **operating efficiencies** available from scale and next-generation technologies







# Strategic Profile

**Combined company will have significantly greater capabilities than either company has, or could develop, on their own.**

- ✓ Outstanding network reach – wireline and wireless
- ✓ Superior product and service offerings
- ✓ Strong brands and customer relationships
- ✓ Diversified revenue and customer base
- ✓ World-class sales, marketing and technical support capabilities
- ✓ Extensive global service platforms
- ✓ Deep technology know-how
- ✓ Experienced, proven management team





# A Great Opportunity

- > Tremendous assets
  - Networks
  - Customer relationships
  - Technological expertise
  - Brand
- > Substantial operating efficiencies
- > Clear path to delivering synergies



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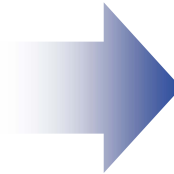
**David W. Dorman**

**Chairman and Chief Executive Officer  
AT&T**



# The Communications Industry Is Moving Through Major Transitions

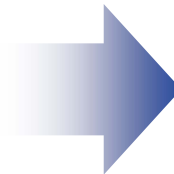
Stand-alone products  
and bundles



Service integration,  
unified communications

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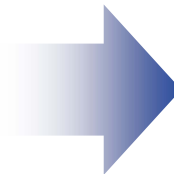
Circuit switched  
and private line



Packet data, IP, VoIP

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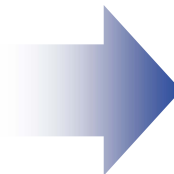
Legacy transport  
networks



Unified networks,  
IP core

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Multiple, labor-intensive  
support systems



Unified, automated  
systems



# Transforming AT&T

- > Strengthened position in the business market
  - Serves millions of businesses, virtually all of the *Fortune* 1,000
  - Nearly 75% of total AT&T revenues now originate from the business market
  - An unmatched portfolio of global products and services with an end-to-end solution set
- > Built one of world's largest IP backbones
- > Reduced costs while enhancing service



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## Combination with SBC Moves Both Companies to a New Level

- > Combines AT&T's industry-leading global and national platforms with SBC's strong local and wireless networks
- > Creates value for stockholders of both companies
  - Significant synergies
  - A more robust provider built to excel as the industry migrates to a new era



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**Randall Stephenson**

**Chief Operating Officer  
SBC Communications Inc.**



# Critical Assets

- > One of the world's largest IP backbones, with global reach and a meshed architecture
- > Network with MPLS on edge and core to provide Quality of Service
- > Network density outside of SBC's traditional regions
- > Complex ordering system on a single platform for all products
- > Billing system aggregator to produce a single customer bill
- > Robust Web portal for customer self service on all IP products
- > AT&T Labs – powerful resource
- > Advanced complex voice and IP product sets including feature-rich unified communications, business and consumer VoIP, IP-VPN





# Complementary Networks

## Advanced nationwide network

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- > 77,000 route miles
- > 750 points of presence
- > local facilities in 91 cities

## Unmatched global reach

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- > Network assets in 50 countries and 850 cities around the globe
- > 26 advanced data centers

## Dense local access network

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- > 52 million access lines
- > 5.1 million DSL lines
- > Broadband to 77% of customer locations

## Cingular Wireless

- > 290 million licensed POPs
- > 49 million subscribers
- > Network transformation under way, moving to IP-based UMTS with HSDPA 3G technology



# Synergies

- > Headquarters
- > Network Operations
- > IT Support
- > Business Markets
- > Procurement

- > **More than \$15 billion** net present value of identified synergies
- > Approximately **\$2 billion** annual net synergy run rate by 2008, growing to exceed \$3 billion by 2011
- > **More than 85%** of synergies come from cost reductions
- > In the enterprise space alone, redundant sales, network and customer care costs total **\$1.6 billion annually**



# Organizational Integration

- > AT&T headquarters staff merged into SBC organizations
- > AT&T's network operations organization will become the backbone for all of SBC's IP-based and long distance services.
- > Enterprise, government, large commercial and multinational accounts organizations combined
- > IT organizations combined
- > Procurement organizations combined



# Business Markets Synergies

- > Consolidate business marketing and operations groups
- > Consolidate enterprise sales and support
- > Consolidate government sales units
- > Consolidate wholesale operations into single organization



# Network Synergies

- > Long distance savings from moving traffic and services to AT&T networks
- > Merge SBC and AT&T long distance operations
- > Optimize all transport facilities in and out of region
- > Shift SBC dial-up internet traffic to AT&T
- > Consolidate SBC IP networks into AT&T backbone network



# Network Synergies

- > Combine and optimize network centers
- > Optimize all local switches in SBC regions
- > Combine all field forces into a highly efficient operation with centralized dispatch centers
- > Consolidate network planning and engineering functions



# IT Synergies

- > Consolidate data centers, desktop support
- > Migrate to single set of business support systems, rationalizing SBC initiatives in this area
- > Rationalize billing platforms
- > Leverage purchasing volumes with vendors





# Revenue Synergies

## Industry Projections

IP-VPN <sup>(1)</sup>	20%
Ethernet <sup>(1)</sup>	19%
Hosting <sup>(2)</sup>	10%
Network Management <sup>(1)</sup>	12%
VoIP <sup>(3)</sup>	54%

- > Incremental revenue growth above stand-alone revenues, driven by expansion of IP product set into all business segments
- > Expect revenue growth for combined company in 2008

<sup>(1)</sup> Bain Consulting 2003-2012 CAGR

<sup>(2)</sup> IDC 2003-2007 CAGR

<sup>(3)</sup> ATLANTIC ACM 2003-2009 CAGR



# Opportunities

- > **Significant synergies**, clearly identified and achievable
- > **Critical assets and capabilities** to accelerate progress and avoid development costs
- > **Complementary networks** that provide foundation for integrated services
  - National/global, IP backbone
  - Local access
  - Broadband access
  - Nationwide IP-based UMTS/HSDPA wireless network

**After integration, the combined company will have unmatched network scope, network density and cost structure, with a rich set of services on the edge.**



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**Rick Lindner**

**Senior Executive Vice President  
and Chief Financial Officer  
SBC Communications Inc.**



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# SBC/AT&T – Transaction Summary

## Equity Acquisition

\$15 billion      0.77942 shares of  
SBC for each share  
of AT&T (\$18.41  
based on 1/28/05  
closing price)

\$1 billion      Special dividend  
\$1.30 per share

\$6 billion      Net debt<sup>1</sup>

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**\$22 billion      Total value**

- > Approvals required from DOJ, FCC, state PUCs, and various foreign and local authorities
- > Transaction expected to close in the first half of 2006

<sup>1</sup>As of 12/31/04



# Financial Impacts of the Transaction

- > **Free cash flow positive** in 2007
- > **EPS positive** in 2008
- > More than **\$15 billion NPV** of expected net synergies
  - Exceeds value of stock to be issued in transaction
  - Annual net synergy run rate of approximately \$2 billion by 2008, growing to exceed \$3 billion by 2011
- > **No impact** on credit metrics
- > Purchase accounting



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# Substantial Synergy Opportunities





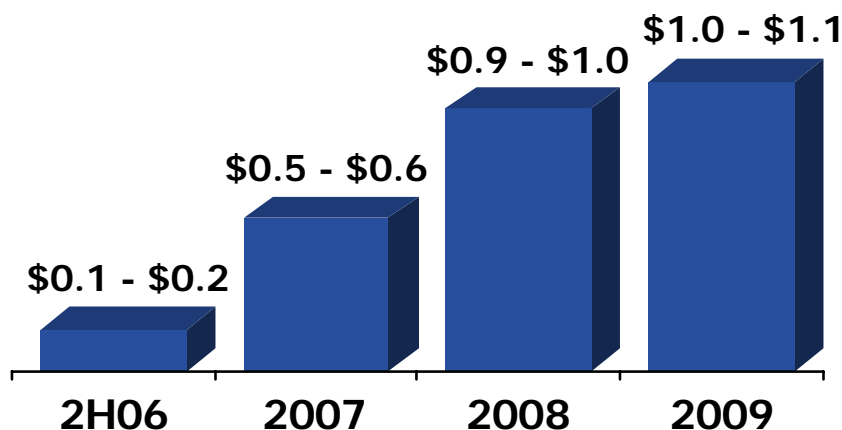
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# Network and IT Operating Synergy Opportunities

(dollars in billions)	2H06	2007	2008	2009
Expected Expense Synergies	\$0.1 - \$0.2	\$0.5 - \$0.6	\$0.9 - \$1.0	\$1.0 - \$1.1
Expected Integration Costs	(\$0.8) - (\$0.7)	(\$0.6) - (\$0.5)	(\$0.3) - (\$0.2)	(\$0.1) - \$0.0
Expected Net Expense Synergies	(\$0.7) - (\$0.5)	(\$0.1) - \$0.1	\$0.6 - \$0.8	\$0.9 - \$1.1

**Expected Network and IT Operating Synergies**  
(dollars in billions)



## Sources of Operating Synergies

- Merge LD network and operations
- Optimization of transport, out of region facilities and network operations
- Procurement
- IT/Systems
- Consolidate IP traffic





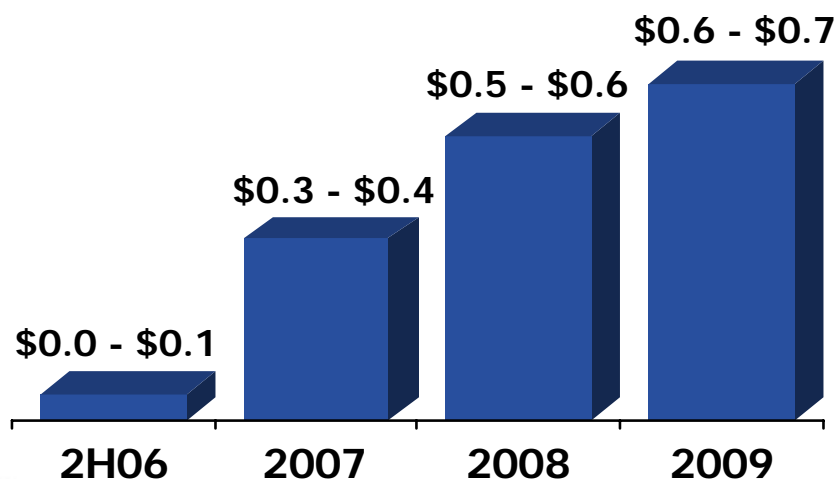
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# Business Operating Synergy Opportunities

(dollars in billions)	2H06	2007	2008	2009
Expected Expense Synergies	\$0.0 - \$0.1	\$0.3 - \$0.4	\$0.5 - \$0.6	\$0.6 - \$0.7
Expected Integration Costs	(\$0.2) - (\$0.1)	(\$0.3) - (\$0.2)	(\$0.2) - (\$0.1)	\$0.0
Expected Net Expense Synergies	(\$0.2) - \$0.0	\$0.0 - \$0.2	\$0.3 - \$0.5	\$0.6 - \$0.7

**Expected Business Operating Synergies**  
(dollars in billions)



## Sources of Operating Synergies

- Marketing
- Operations
- Sales & Support



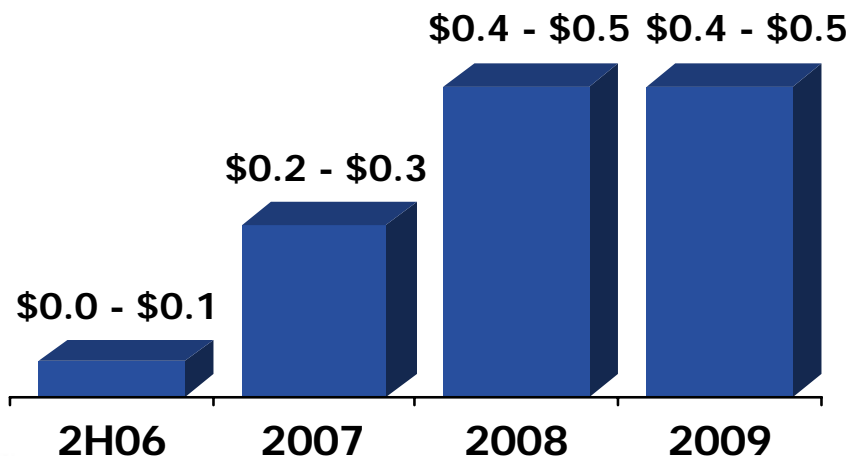
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# Corporate Operating Synergy Opportunities

(dollars in billions)	2H06	2007	2008	2009
Expected Expense Synergies	\$0.0 - \$0.1	\$0.2 - \$0.3	\$0.4 - \$0.5	\$0.4 - \$0.5
Expected Integration Costs	(\$0.9) - \$(0.8)	(\$0.2) - (\$0.1)	(\$0.1) - \$0.0	\$0.0
Expected Net Expense Synergies	(\$0.9) - \$(0.7)	\$0.0 - \$0.2	\$0.3 - \$0.5	\$0.4 - \$0.5

**Expected Corporate Operating Synergies**  
(dollars in billions)



## Sources of Operating Synergies

- Executive
- Legal
- Human Resources
- Public Relations
- Finance



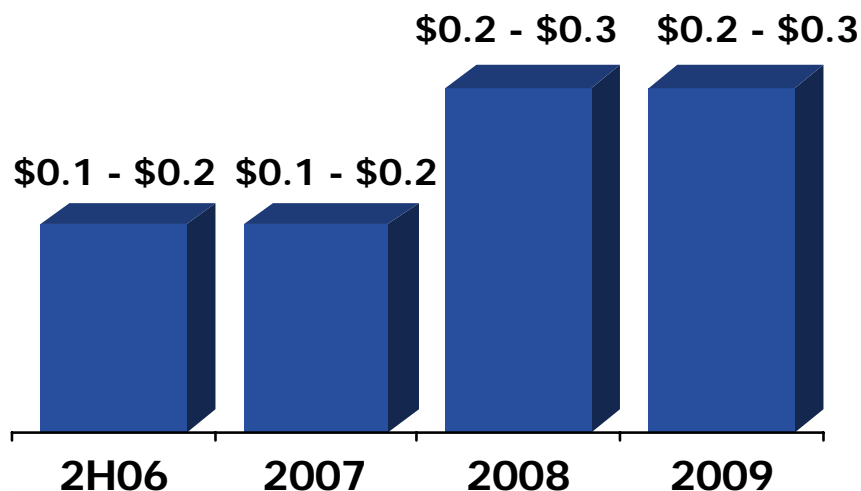
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# Capital Expenditure Synergy Opportunities

(dollars in billions)	2H06	2007	2008	2009
Expected Capital Synergies	\$0.1 - \$0.2	\$0.1 - \$0.2	\$0.2 - \$0.3	\$0.2 - \$0.3
Expected Integration Capital	(\$0.1) - \$0.0	(\$0.1) - \$0.0	\$0.0	\$0.0
Expected Net Capital Synergies	\$0.0 - \$0.2	\$0.0 - \$0.2	\$0.2 - \$0.3	\$0.2 - \$0.3

**Expected Capital Synergies**  
(dollars in billions)



## Sources of Capital Synergies

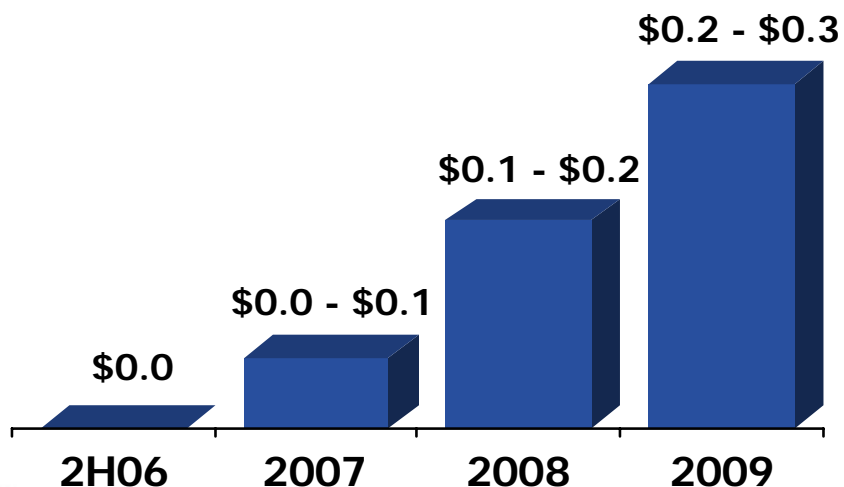
- Procurement
- Transport facilities – nationwide and SBC in-region
- IT data centers, support & systems



# Revenue Synergy Opportunities

(dollars in billions)	2H06	2007	2008	2009
Expected Revenue Synergies (EBITDA Impact)	\$0.0	\$0.0 - \$0.1	\$0.1 - \$0.2	\$0.2 - \$0.3

**Expected EBITDA from Revenue Synergies**  
(dollars in billions)



## Sources of Revenue Synergies

- Expansion of in-region medium and small business segments



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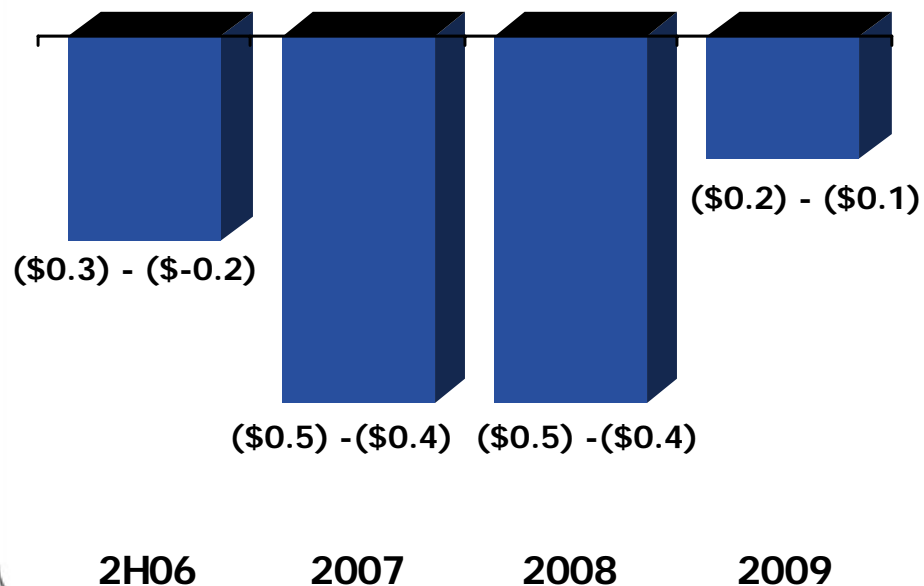


# Purchase and Other Accounting Impacts

(dollars in billions)	2H06	2007	2008	2009
Expected Accounting Impacts <sup>1</sup>	(\$0.3) - (\$0.2)	(\$0.5) - (\$0.4)	(\$0.5) - (\$0.4)	(\$0.2) - (\$0.1)

<sup>1</sup> Subject to final determination at closing with final valuation.

## Expected Accounting Impacts (dollars in billions)



## Sources of Accounting Impacts

- Amortization of intangibles
- Debt premium
- One-time impairments



# Summary of Financial Impacts

(dollars in billions, pretax)

	2H06	2007	2008	2009
<b>Synergies</b>				
Revenue synergies (EBITDA Impact)	\$0.0	\$0.0 - \$0.1	\$0.1 - \$0.2	\$0.2 - \$0.3
Expense synergies	\$0.1 - \$0.4	\$1.0 - \$1.3	\$1.8 - \$2.1	\$2.0 - \$2.3
Capex synergies	\$0.1 - \$0.2	\$0.1 - \$0.2	\$0.2 - \$0.3	\$0.2 - \$0.3
Total synergies	\$0.2 - \$0.6	\$1.1 - \$1.6	\$2.1 - \$2.6	\$2.4 - \$2.9
<b>One-time costs</b>				
Integration costs – Expense	(\$1.9) - (\$1.6)	(\$1.1) - (\$0.8)	(\$0.6) - (\$0.3)	(\$0.1) - \$0.0
Integration costs – Capital	(\$0.1) - \$0.0	(\$0.1) - \$0.0	\$0.0	\$0.0
Integration costs – Total	(\$2.0) - (\$1.6)	(\$1.2) - (\$0.8)	(\$0.6) - (\$0.3)	(\$0.1) - \$0.0
<b>Purchase accounting impacts<sup>1</sup></b>				
Noncash impacts	(\$0.3) - (\$0.2)	(\$0.5) - (\$0.4)	(\$0.5) - (\$0.4)	(\$0.2) - (\$0.1)

<sup>1</sup> Subject to final determination at closing with final valuation.



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# Expected SBC EPS Impacts

(earnings per share)	2H06	2007	2008	2009
Operating income, synergies and stock financing	\$ 0.00 – \$ 0.02	\$ 0.07 – \$ 0.09	\$ 0.23 – \$ 0.26	\$ 0.28 – \$ 0.31
Integration costs	\$ (0.28) – \$ (0.25)	\$ (0.16) – \$ (0.13)	\$(0.09) – \$(0.06)	\$ (0.03) – \$ (0.01)
<b>Impacts before accounting costs</b>	<b>\$(0.28) – \$(0.23)</b>	<b>\$(0.08) – \$(0.05)</b>	<b>\$ 0.16 – \$ 0.19</b>	<b>\$ 0.26 – \$ 0.30</b>
Accounting costs <sup>1</sup>	\$ (0.05) – \$ (0.03)	\$ (0.08) – \$ (0.06)	\$(0.08) – \$(0.06)	\$ (0.04) – \$ (0.02)
<b>Reported EPS Impacts</b>	<b>\$(0.31) – \$(0.28)</b>	<b>\$(0.15) – \$(0.12)</b>	<b>\$ 0.09 – \$ 0.11</b>	<b>\$ 0.23 – \$ 0.27</b>

<sup>1</sup> Subject to final determination at closing with final valuation.



# Financial Summary

- > Significant **achievable synergies**
- > **Cash flow positive** in 2007
- > Cash flows provide potential for continued **dividend growth, share repurchase and debt retirement**
- > **Earnings positive** starting in 2008
- > **No impact** on credit metrics





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