



New Era. New Company.



SBC + AT&T

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

Special Analyst Meeting

Feb 1, 2005



Agenda

Strategic Overview

Edward E. Whitacre Jr.

Chairman and Chief Executive Officer
SBC Communications

David W. Dorman

Chairman and Chief Executive Officer
AT&T

Operational Plans

Randall Stephenson

Chief Operating Officer
SBC Communications

John Stankey

Senior Executive Vice President
Chief Technology Officer
SBC Communications

Mark Keiffer

Senior Vice President-Business Marketing
SBC Communications



Agenda

Financial Summary

Rick Lindner

Senior Executive Vice President
and Chief Financial Officer
SBC Communications

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, Large Synergy Opportunities

- > Best-in-class, complementary **networks**
- > Advanced **product sets**
- > Accelerated expansion in **enterprise space**
- > Nationwide presence and **global reach**
- > Substantial synergies driven by clear, achievable **cost opportunities**
- > Expect closing in **early 2006**



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David W. Dorman

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



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Randall Stephenson

**Chief Operating Officer
SBC Communications Inc.**

Major Areas of Opportunity

1 World-class, • complementary networks

- > One of the world's largest IP backbones, huge capacity
- > National network with MPLS on edge and core
- > Global network reach
- > SBC's local access network
- > Broadband access
- > Cingular's nationwide IP-based UMTS/HSDPA wireless network

Major Areas of Opportunity

1. World-class, complementary networks

2 Critical product • sets, service platforms

- > Complex ordering system, single platform for all products
- > Advanced Billing system aggregator
- > Robust Web portal for customer self-service on all IP products
- > AT&T Labs – crown jewel of telecom
- > Advanced complex voice and IP product sets

Major Areas of Opportunity

1. World-class, complementary networks
2. Critical product sets, service platforms

3 Large, straightforward synergies

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

Synergies

- > **More than \$15 billion** net present value
- > Start immediately after integration, and **ramp quickly**
- > 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**

After Integration

The Result

- **Low-cost, high-quality infrastructure** with unmatched network scope and density
- **Rich set of integrated services on the edge**



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Mark Keiffer

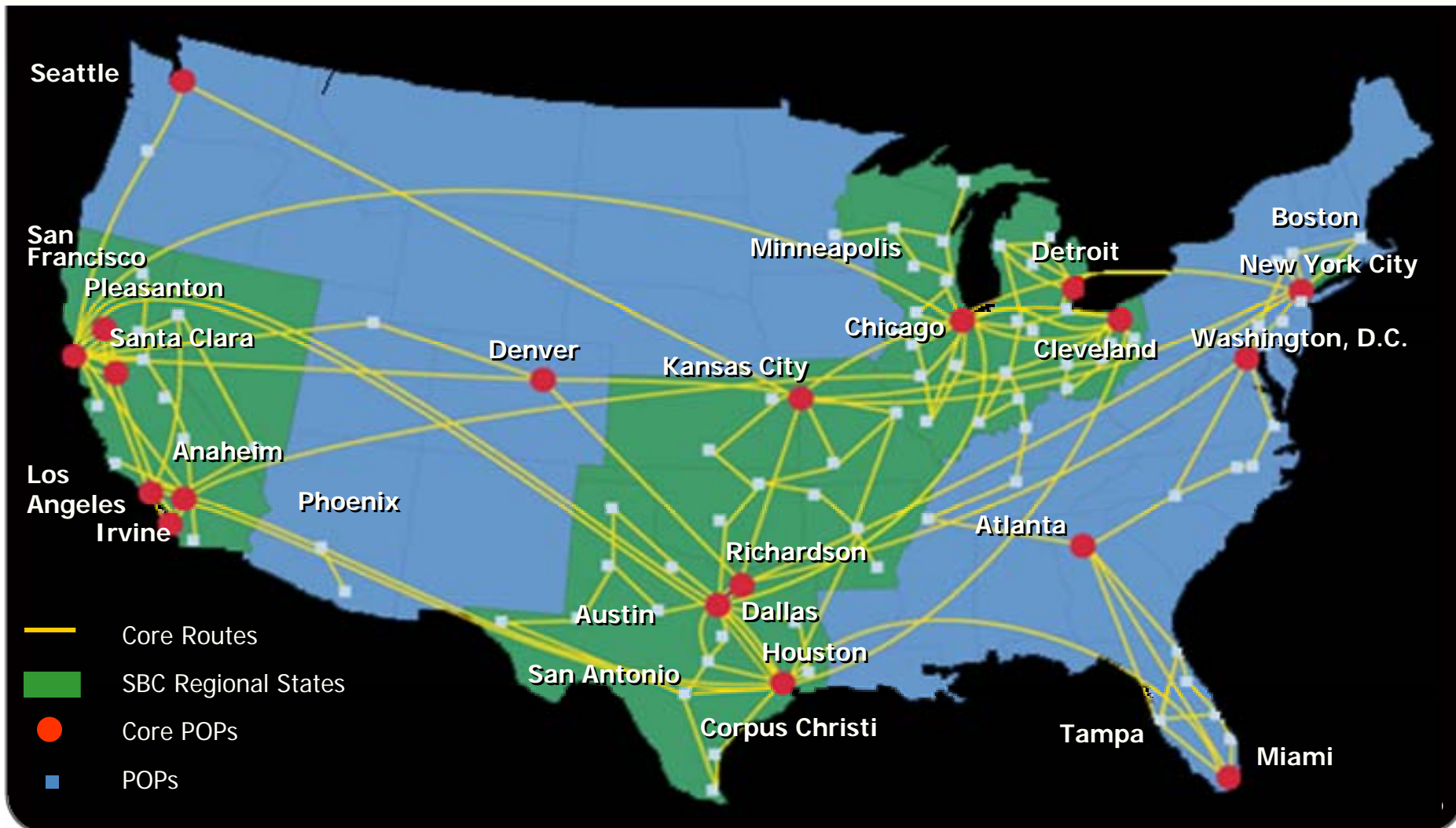
**Senior Vice President
Business Marketing
SBC Communications Inc.**



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SBC Data and IP Backbone Networks

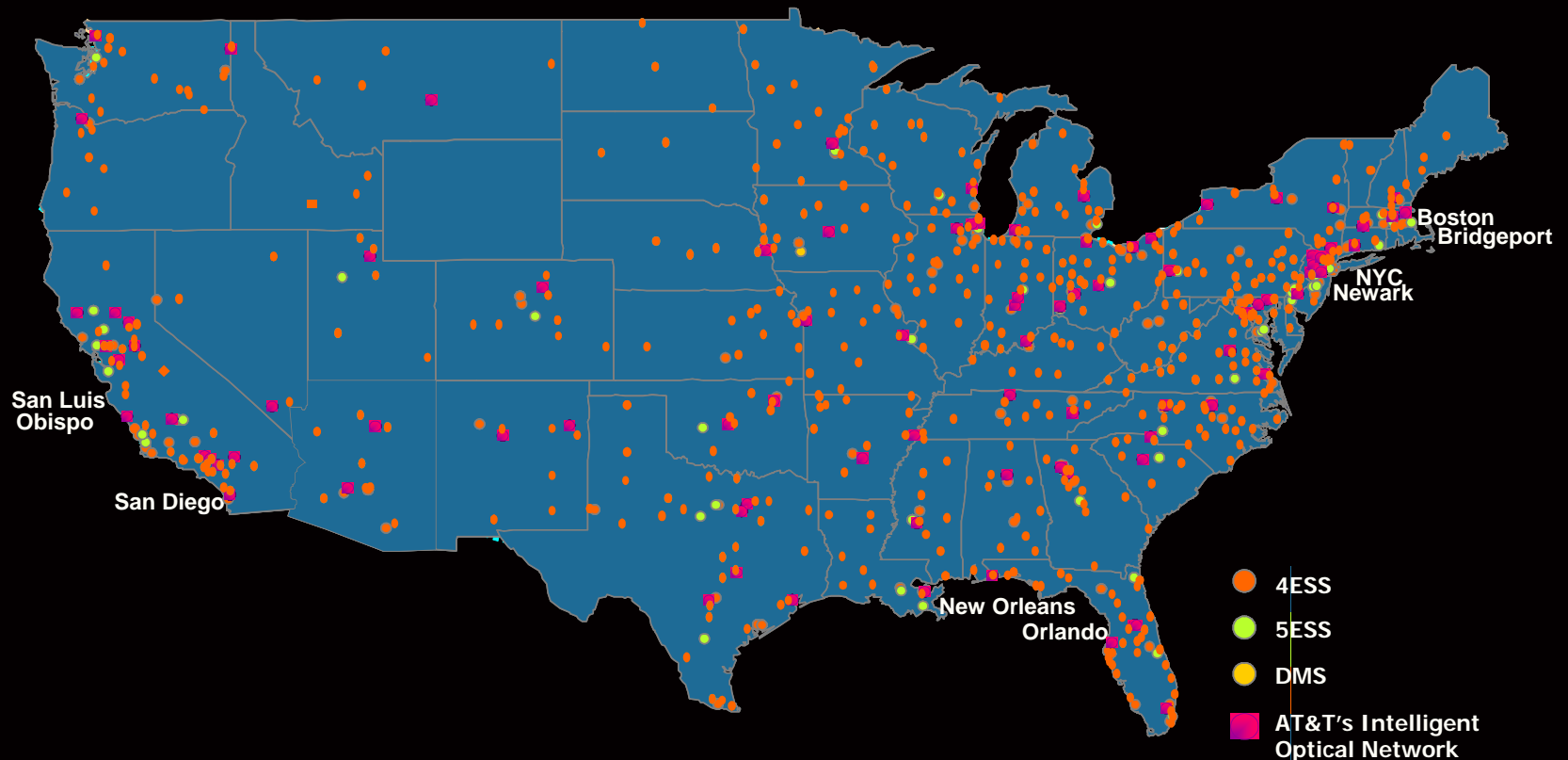




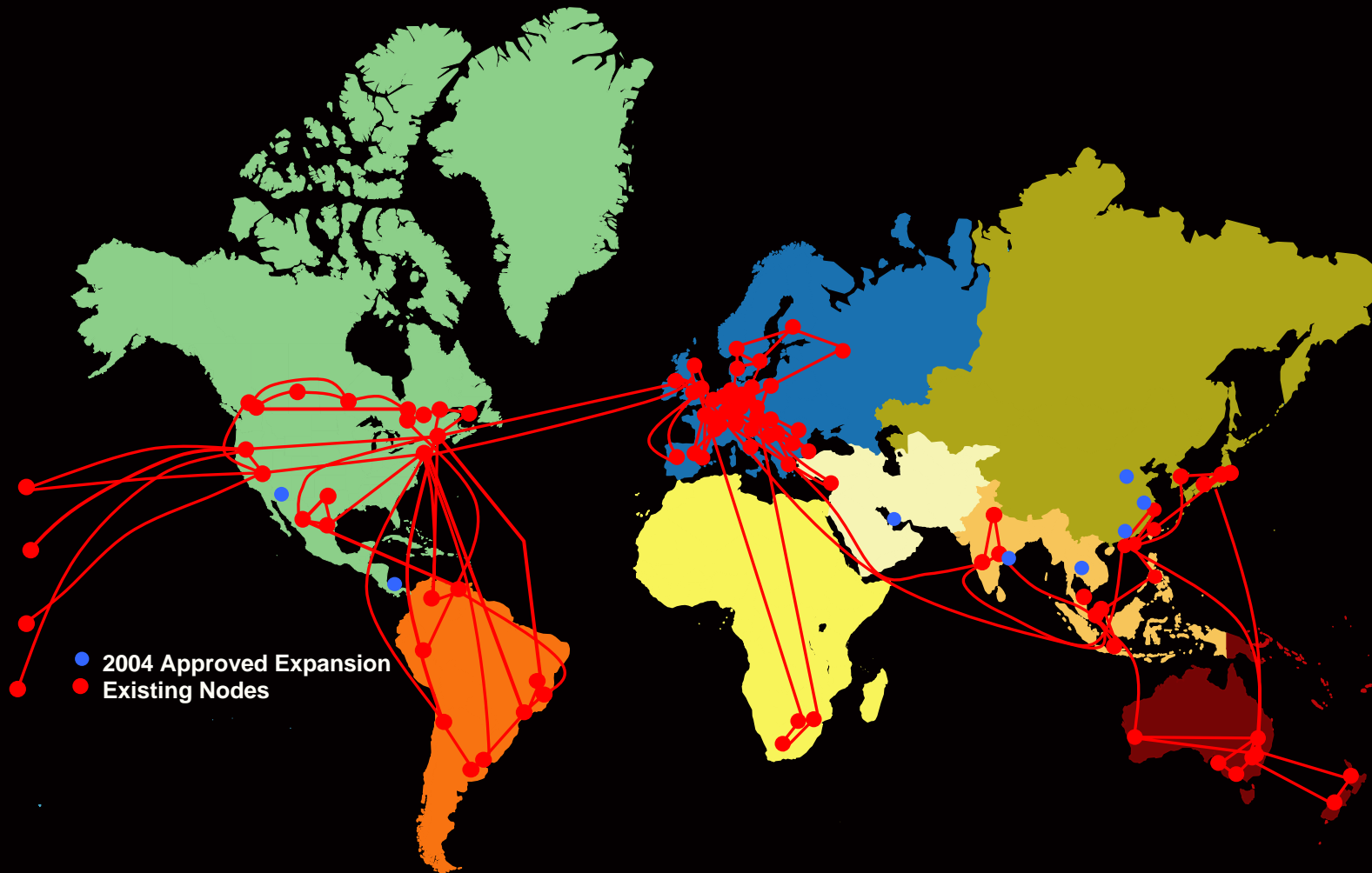
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AT&T U.S. Network Points of Presence



AT&T Global Network





Leading-Edge Products and Customer Care

- > Voice
- > Suite of differentiated IP services
- > International network services
- > Federal government portfolio
- > Online network monitoring, management,
billing: "e-Delivery"

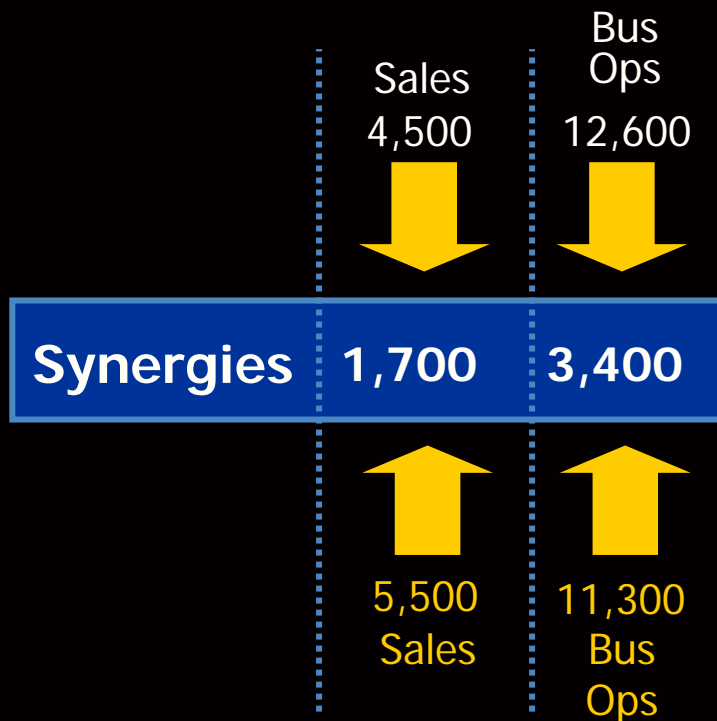
Enterprise Expertise

- > Advanced voice, data, IP, security and other certifications
- > Top value-added service providers for Cisco, Nortel, Avaya and other network equipment manufacturers
- > Portfolio supported by premier research and development organizations
- > Heritage of innovation and patented technologies
- > Leaders in industry standards forums



Enterprise Sales and Business Operations Synergies

SBC Enterprise



AT&T Enterprise

> Sales

- Eliminate redundant sales and support personnel

> Business Ops

- Leverage customer service management
- Eliminate duplicate billing inquiry centers



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John Stankey

**Senior Executive Vice President
Chief Technology Officer
SBC Communications Inc.**



Complementary Strengths

SBC

Dense local broadband access

Leader in layer 1 operating efficiencies

Broad customer base in need of security

Strong billing/Care IT orientation

Rapid growth of IP traffic (Lightspeed, DSL)

Opportunity to lower operating costs in rural areas with wireless technology and access to RF spectrum

World-class procurement operation

Hedge on regulatory access charges

Leader in local access capabilities

AT&T

Most robust IP backbone

Leader in Layer 2/3 operating efficiencies

Leader in developing network-based security solutions

Strong NE and configuration

Capacity to handle IP traffic

Directed research with wireless access alternatives

More spend to leverage

Hedge on regulatory access charges

Local access assets to be leveraged

Execution Imperative

1. Operational Cost Reduction

- > Adoption of AT&T investments in efficiency and automation against entire Layer 2 customer base

Execution Imperative

1. Operational Cost Reduction

2. Scale

- > Traffic component of business is approaching commodity levels. This aggregates traffic from largest backbone data provider and largest local data provider. Couple traffic with operational efficiency and superior buying power, and we are positioned to be lowest marginal cost provider

Execution Imperative

1. Operational Cost Reduction
2. Scale

3. Capital Efficiency

- > Eliminates overlap and duplication and capitalizes on second-to-none vendor leverage. The opportunity to eliminate duplication cannot be understated as networks flatten and IP traffic increases

Execution Imperative

1. Operational Cost Reduction
2. Scale
3. Capital Efficiency

4. Operations Integration

- > The opportunity to build work processes around a single network view and not an artificially imposed long haul and local hierarchy

Achieving Operational Efficiencies

- > As a new entrant to the enterprise long haul market, SBC has achieved initial success and continues to invest heavily to improve our effectiveness and scale
- > However, when measured against employees directly supporting ordering, provisioning, care and network management functions for enterprise markets:
 - AT&T's IP backbone carries an order of magnitude more traffic than SBC on a per employee basis
 - AT&T is over 3X more productive in supporting frame and ATM ports on a per employee basis
 - AT&T carries 3X the long distance MOU on a per employee basis
- > This presents excellent operational synergy opportunities

Operational Efficiencies

	Total Pop	Targeted Reduction	%
> Redundant Engineering	2,885	550	19%
– Data Design	40%		
– Out of Region	15%		
– Legacy Switching	27%		
– Core Planning	18%		



Operational Efficiencies

	Total Pop	Targeted Reduction	%
> Redundant Engineering	2,885	550	19%
> Enterprise Data Ordering	2,700	1,100	40%
– Brings SBC mechanized order rates for inter-LATA circuits to AT&T levels			

Operational Efficiencies

	Total Pop	Targeted Reduction	%
> Redundant Engineering	2,885	550	19%
> Enterprise Data Ordering	2,700	1,100	40%
> Enterprise Data Provisioning	3,600	1,200	33%
– Achieves AT&T flow through rules on network element provisioning			

Operational Efficiencies

	Total Pop	Targeted Reduction	%
> Redundant Engineering	2,885	550	19%
> Enterprise Data Ordering	2,700	1,100	40%
> Enterprise Data Provisioning	3,600	1,200	33%
> Enterprise Care Functions	7,500	1,500	20%
– Migrates SBC's inter-LATA customers to AT&T Business Direct infrastructure			

Operational Efficiencies

	Total Pop	Targeted Reduction	%
> Redundant Engineering	2,885	550	19%
> Enterprise Data Ordering	2,700	1,100	40%
> Enterprise Data Provisioning	3,600	1,200	33%
> Enterprise Care Functions	7,500	1,500	20%
> Network Management	2,600	700	27%
<ul style="list-style-type: none">– Combines all packet traffic onto AT&T backbone and eliminates redundant surveillance functions			

Operational Efficiencies

	Total Pop	Targeted Reduction	%
> Redundant Engineering	2,885	550	19%
> Enterprise Data Ordering	2,700	1,100	40%
> Enterprise Data Provisioning	3,600	1,200	33%
> Enterprise Care Functions	7,500	1,500	20%
> Network Management	2,600	700	27%
> Access Management	350	75	21%
<ul style="list-style-type: none"> – Eliminates redundant function internal to SBC and leverages best-in-class capabilities and contracts of AT&T 			

IT Merger Synergies

SBC has proven record of delivering IT synergies

- > Delivered more than \$500M in annual expense savings, excluding procurement, from previous wireline acquisitions
- > Savings came from across IT functions:

	<u>% of Total Savings</u>
– Application Development	40%
– Data Center	30%
– Operations Savings	10%
– Desktop/OCS	10%
– Other	10%

IT Merger Synergies

IT synergies are achievable and significant

- Standardization and automation
 - Eliminate redundant development (customer care, billing)
 - Single application suite (network, corporate)
 - Internal infrastructure (desktop support, help desk, OCS)
- Consolidation and sourcing
 - Data centers
 - Back-office functions (bill print & ops, remittance, payroll)
- Synergy assumptions for IT efficiencies do not kick in until 2009 and ultimately peak at 8% of combined workforce

Procurement Synergies

- > **60%** overlap in vendor spend between AT&T and SBC
- > SBC has historically netted **10%-12%** in overall supplier concessions from previous transactions (Pacific Telesis, SNET and Ameritech)
- > Allocation of reductions has historically been in the range of **55%** capex and **45%** expense
- > Synergy assumptions were set at a very conservative **5%** reduction in overall procurement efficiencies

Remaining Value Drivers

- > **Corporate overhead headcount reductions**
 - Estimated 2,600 reductions in Legal, HR, Finance, CRE, PR, Advertising, EA, Wholesale
- > **LD Transport COGS reduction**
 - \$200M annual reduction
 - \$75M annual International Wireless Termination reduction
- > **Out-of-Region Facilities**
 - \$50M expense, \$20M capital achieved by elimination of redundant facilities
- > **Network Lease Efficiencies**
(co-located facilities, dial pop, facility lease)
 - \$67M annual lease reduction

Summary

- > Operational efficiencies drive 58% of the transaction value
- > The combined companies have the best industry talent in local and long haul network management that will establish a new model of integrated operations
- > Nonoperational efficiencies are largely mechanical and "time-tested" from previous transactions
- > The targets are achievable and directly linked to operations that we control



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Rick Lindner

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



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 debt¹

\$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
- > 3.5% breakup fee
- > Customary MAC provisions

¹As of 12/31/04

Summary of Financial Impacts

(dollars in billions, pretax)

2H06

2007

2008

2009

Synergies

Revenue (EBITDA impact)	\$0.0	\$0.0 - \$0.1	\$0.1 - \$0.2	\$0.2 - \$0.3
Expense	\$0.1 - \$0.4	\$1.0 - \$1.3	\$1.8 - \$2.1	\$2.0 - \$2.3
Capex	\$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

Integration costs

Expense	(\$1.9) - (\$1.6)	(\$1.1) - (\$0.8)	(\$0.6) - (\$0.3)	(\$0.1) - \$0.0
Capital	(\$0.1) - \$0.0	(\$0.1) - \$0.0	\$0.0	\$0.0
Total integration costs	(\$2.0) - (\$1.6)	(\$1.2) - (\$0.8)	(\$0.6) - (\$0.3)	(\$0.1) - \$0.0

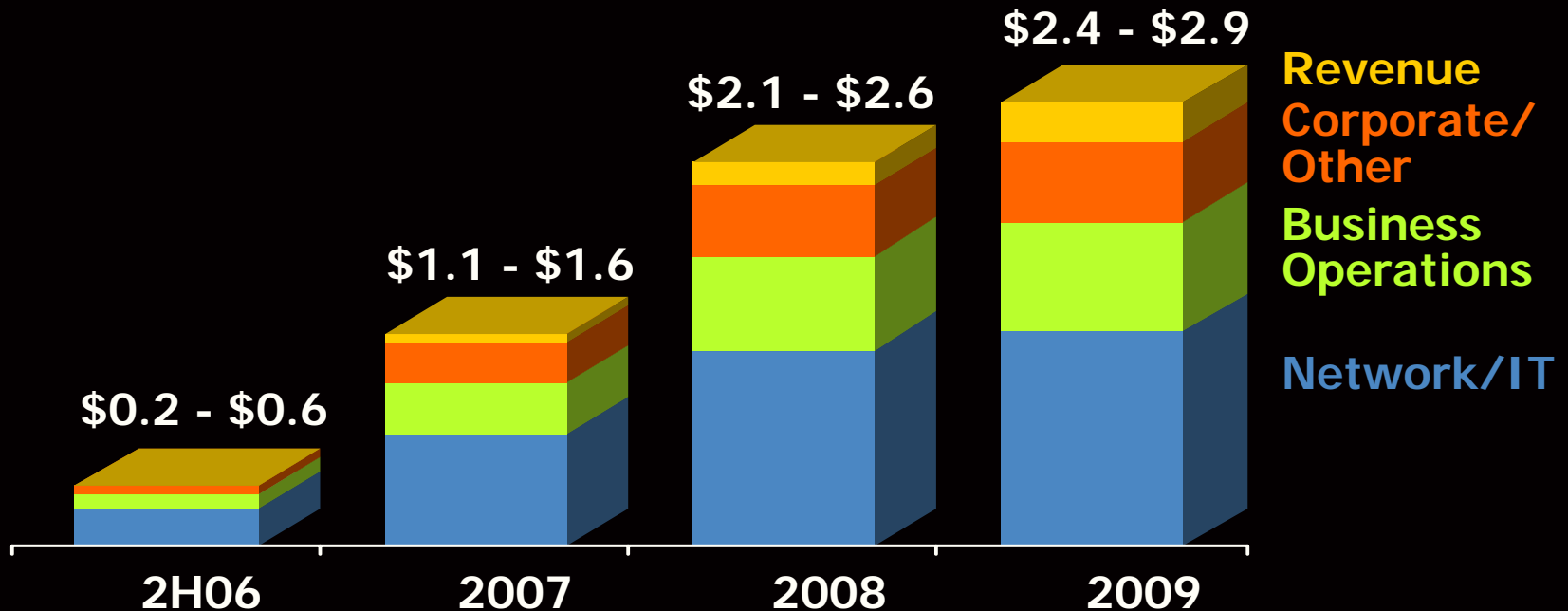
Purchase accounting¹

Noncash impacts	(\$0.3) - (\$0.2)	(\$0.5) - (\$0.4)	(\$0.5) - (\$0.4)	(\$0.2) - (\$0.1)
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¹ Subject to final determination at closing with final valuation.

Substantial Synergies

Expected Operating Synergies (dollars in billions)



Nearly **60%** of synergies driven
by headcount reductions



Expected SBC EPS Impacts

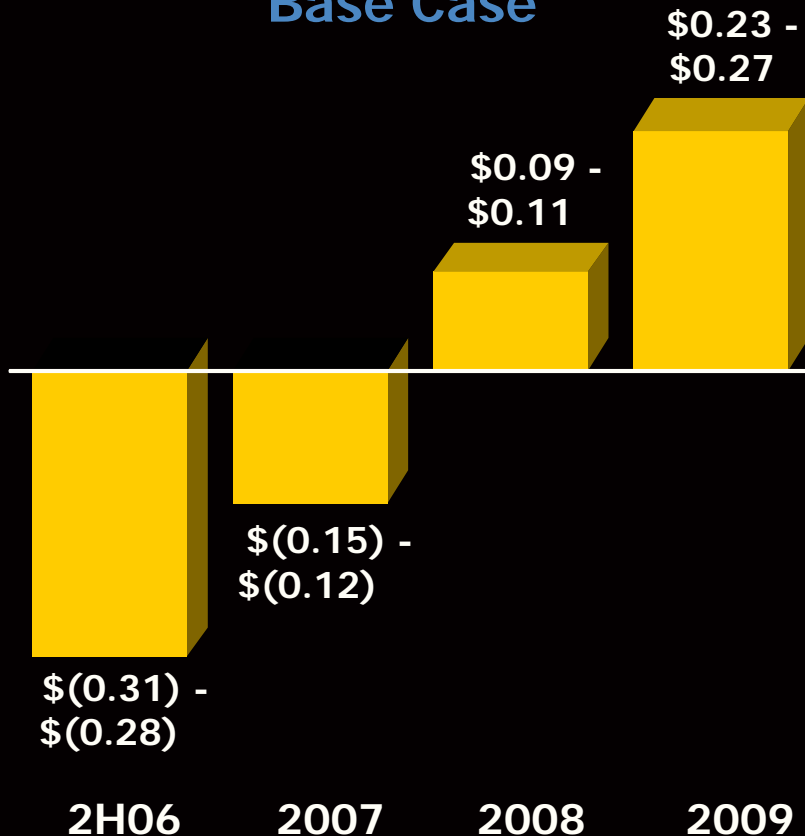
	2H06	2007	2008	2009
AT&T net income, synergies and stock financing	\$ 0.00 – \$ 0.02	\$ 0.07 – \$ 0.09	\$ 0.23 – \$ 0.26	\$ 0.28 – \$ 0.31
Integration costs	\$ (0.28) – \$ (0.25)	\$ (0.16) – \$ (0.13)	\$(0.09) – \$(0.06)	\$ (0.03) – \$ (0.01)
Impacts before accounting costs	\$(0.28) – \$(0.23)	\$(0.08) – \$(0.05)	\$ 0.16 – \$ 0.19	\$ 0.26 – \$ 0.30
Accounting costs ¹	\$ (0.05) – \$ (0.03)	\$ (0.08) – \$ (0.06)	\$(0.08) – \$(0.06)	\$ (0.04) – \$ (0.02)
Reported EPS Impacts	\$(0.31) – \$(0.28)	\$(0.15) – \$(0.12)	\$ 0.09 – \$ 0.11	\$ 0.23 – \$ 0.27

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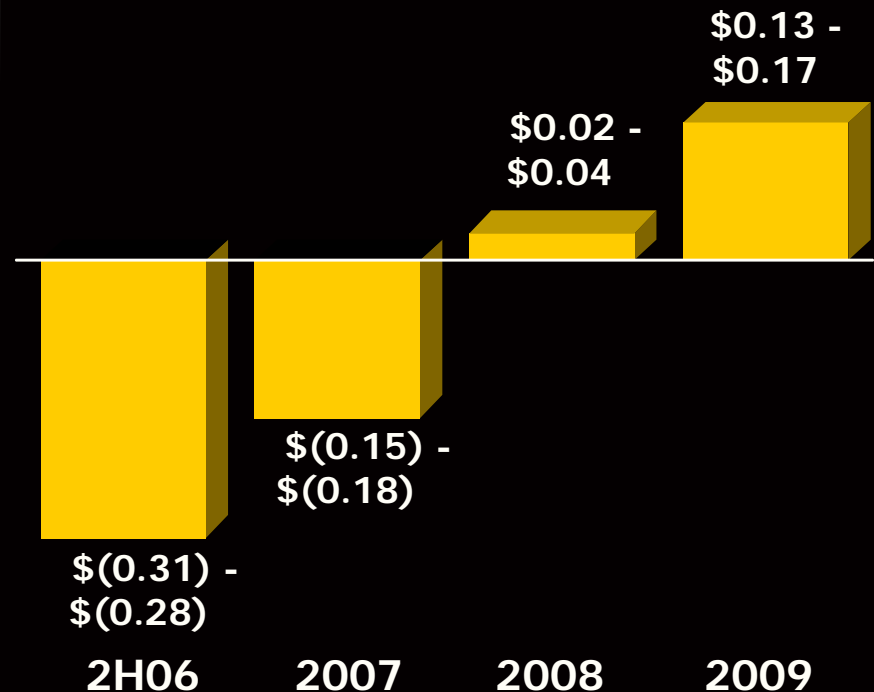


Sensitivity to SBC Expected EPS Impacts

Reported EPS Impacts –
Base Case

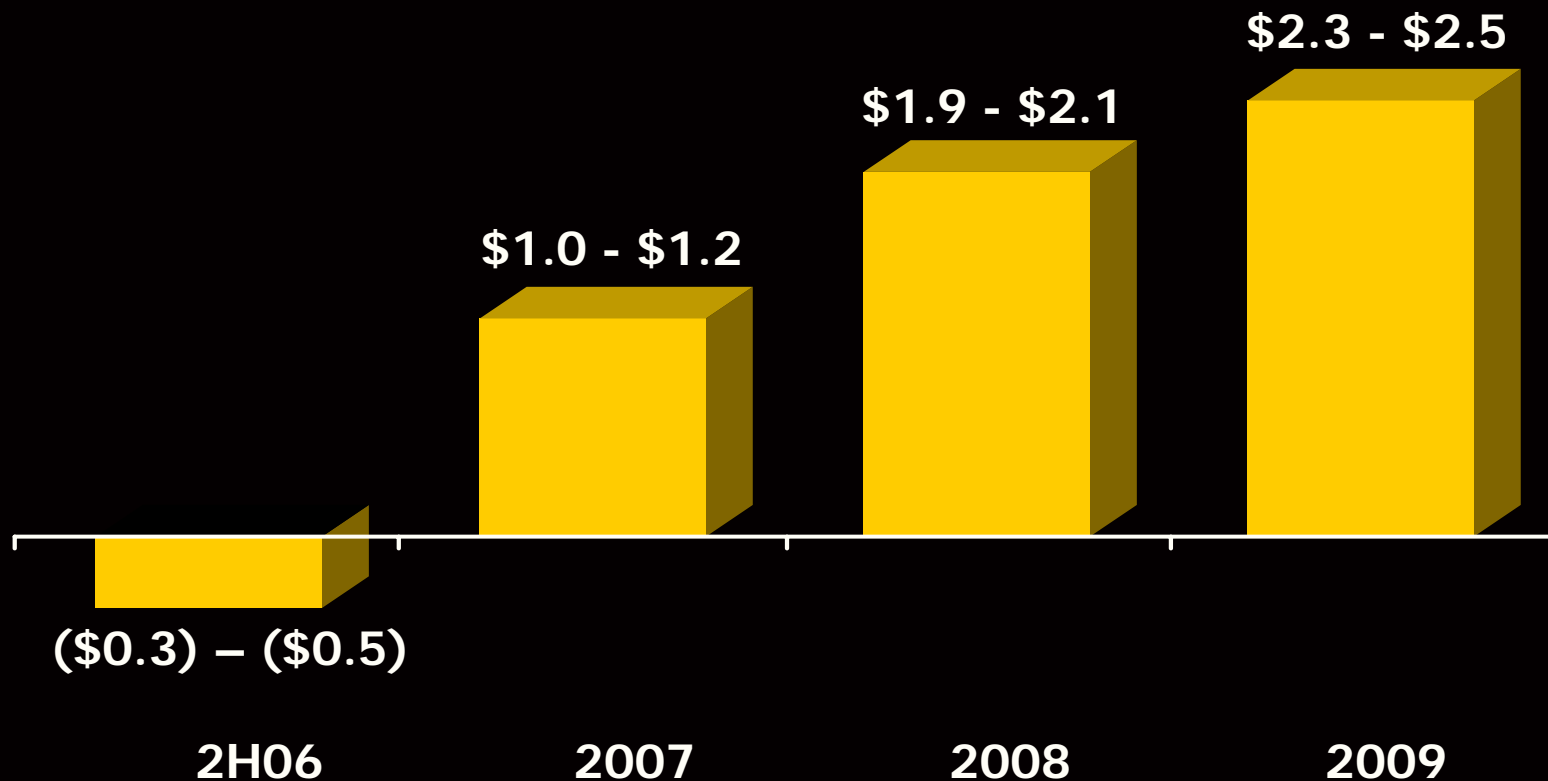


Reported EPS Impacts –
25% Reduction in Base Case



Incremental Cash Flow

Expected Incremental Free Cash Flow (dollars in billions)



Financial Summary

- > Significant **achievable synergies** totaling more than \$15B NPV
- > Incremental **EPS positive** starting in 2008
- > Incremental **cash flow positive** in 2007
- > **Strong credit** metrics
- > Increasing free cash flow supports **dividend growth and share repurchase**



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