



# The New Cingular

## Post-Acquisition Investor Update

Dec. 1, 2004





# Cautionary Language Concerning Forward-Looking Statements

Information set forth in this presentation contains financial estimates and other forward-looking statements that are subject to risks and uncertainties. Discussion of factors that may affect future results of Cingular, SBC and BellSouth and cause results to differ materially from those discussed herein is contained in the companies' most recent Form 10-Q and 8-K filings with the Securities and Exchange Commission. Cingular, SBC and BellSouth disclaim any obligation to update and revise statements contained in this presentation based on new information or otherwise.



# Agenda

## Strategic Overview

### **Stan Sigman**

President and Chief Executive Officer  
Cingular Wireless

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## Operational Update

### **Ralph de la Vega**

Chief Operating Officer  
Cingular Wireless

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## Financial Summary

### **Pete Ritcher**

Chief Financial Officer  
Cingular Wireless

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## SBC and BellSouth Impacts

### **Rick Lindner**

SBC Chief Financial Officer

### **Ron Dykes**

BellSouth Chief Financial Officer



# Stan Sigman

**President and Chief Executive Officer  
Cingular Wireless**





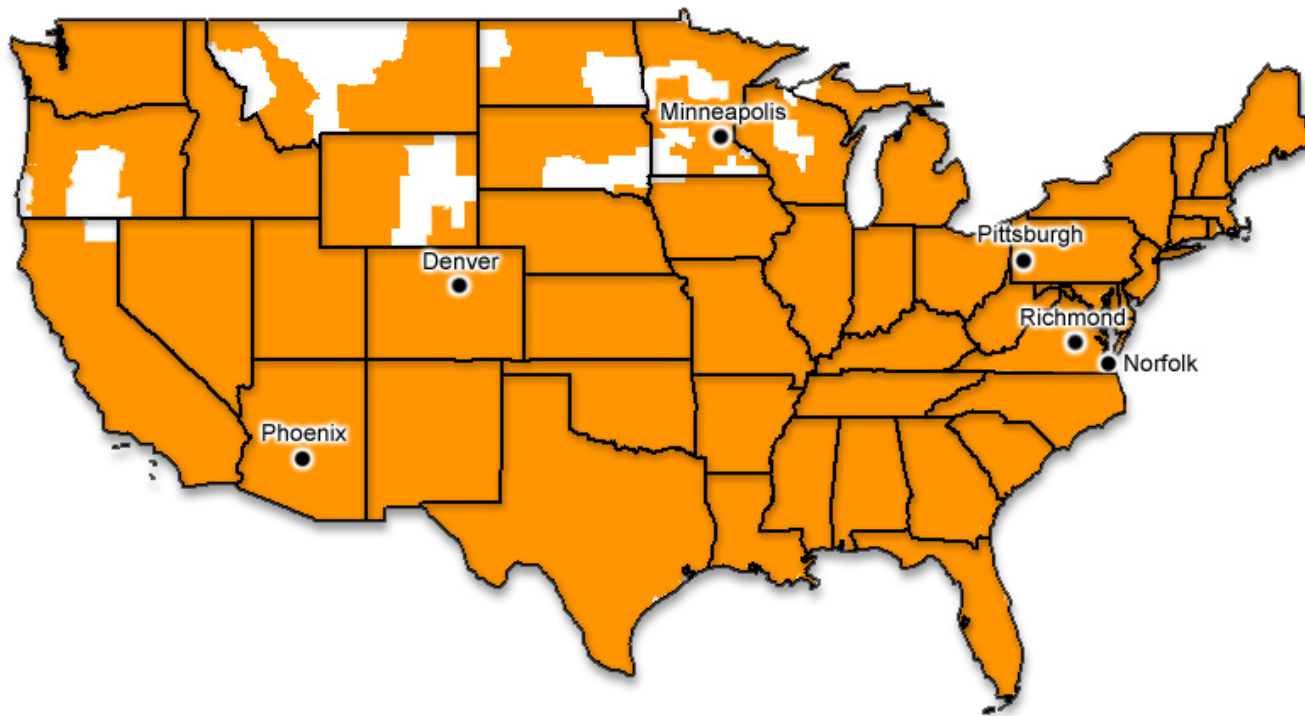
# Integration Progress

- All phase-one initiatives **on or ahead of schedule**
- **4Q net adds** ahead of Cingular's and AT&T Wireless' combined 3Q04 pace
- Revised financial expectations
  - Expected **operating synergies higher**
  - Expected **integration costs** and **cap ex synergies** in line
  - Expected **accounting costs** lower
  - Expect Cingular to be cash flow and **earnings positive in 2005**



# Broad Coverage

## Licensed Spectrum – The New Cingular

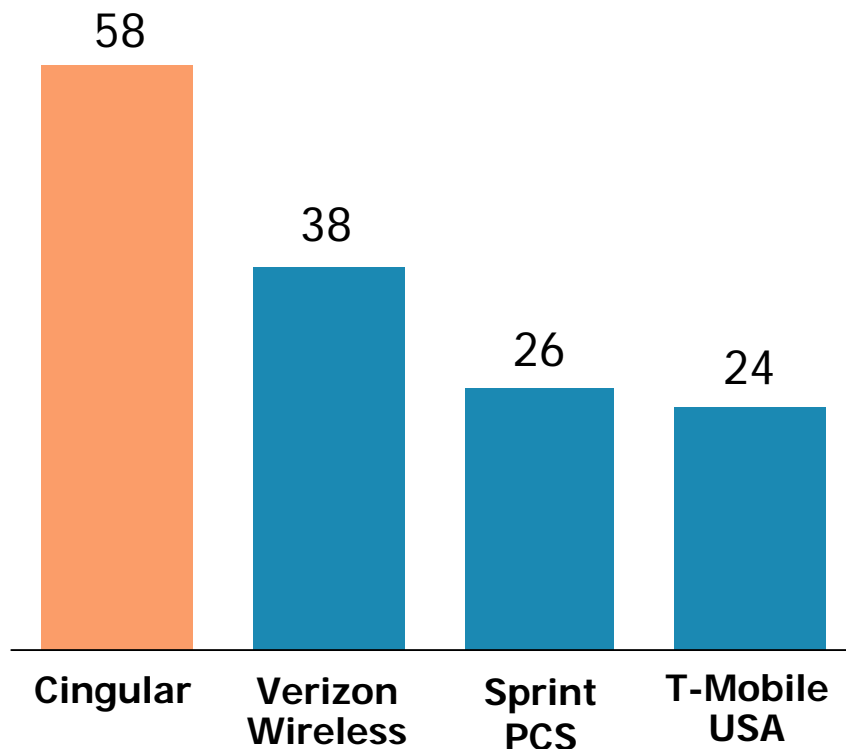


- **290 million** licensed POPs
- All **top-100 markets**
- **New markets include:**
  - Denver
  - Phoenix
  - Minneapolis
  - Pittsburgh
  - Richmond
  - Norfolk



# Industry-Leading Spectrum Depth

Average MHz in Top 100  
U.S. Metropolitan Areas



Source: Raymond James Equity Research

- Spectrum depth drives high-quality **network performance**, operating efficiencies
- Spectrum to accommodate **growth and next-generation technologies** that support data and multimedia services
- **90% of covered POPs** use spectrum in the 850 MHz band



# Scale

Subscribers	>47 million
Annual revenues	\$31+ billion
Distribution points	19,000
Cell sites	44,000
Network technology	GSM

- Scale creates opportunities for cost synergies and **sustainable operating efficiencies**
- Both Cingular and AT&T Wireless have GSM-based networks, technology used by over **70% of world's digital wireless market**
- Volume purchasing drives **buying efficiencies**, lets Cingular help lead industry in R&D decisions, provides unique **access to vendors**





# Execute on the Platform

## 1 Build the Best Network

- Accelerate improved coverage
- California/Nevada upgrades
- UMTS deployment



# Execute on the Platform

**1** Build the Best Network

**2** Deliver Great Customer Service

- Simplified offers and systems
- Tangible benefits for customers of both companies
- A customer-first integration process



# Execute on the Platform

**1** Build the Best Network

**2** Great Customer Service

**3** Unmatched Distribution

- Efficient mix of direct and indirect channels
- Carefully planned store migration



# Execute on the Platform

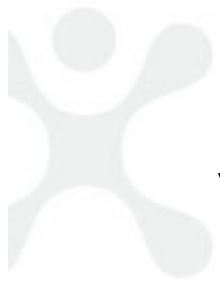
**1** Build the Best Network

**3** Unmatched Distribution

**2** Great Customer Service

**4** Compelling Products/Services

- Exclusive handset and content offers
- Service integration with wireline parents



# Success Drivers

## Strong Platform

coverage,  
spectrum  
and scale

## Track Record

proven  
ability to  
consolidate  
operations  
and deliver  
synergies

## Solid Plan

with both  
short- and  
long-term  
components

**Clear goal and expectation: continuous progress  
starting day one ... industry-leading churn  
and margins by the end of 2007**



# Ralph de la Vega

**Chief Operating Officer  
Cingular Wireless**





# Agenda

## Clear Goals

- Deliver seamless, positive customer experience
- Build marketplace momentum
- Reduce churn
- Integrate systems and networks, move to UMTS platform
- Deliver synergies

## Focused Action Plan

### 1. Fast Start

- Establish organization
- Align leadership

### 2. CSE: Common Service Experience

- Deliver immediate benefits

### 3. Integration Initiatives

- Network
- Customer Service
- Information Technology
- Distribution



# Fast Start: The First 4 Days

## DAY 1

- Transaction closed
- Clean room opened
- Top 53 leaders named

## DAY 2

- CSE field testing
- Leaders assembled

## DAY 3

- First wave of advertising launched
- Game plans & playbooks delivered to >70,000 employees and agents

## DAY 4

- Home-on-home roaming activated
- Inventory sent to AT&T Wireless distribution points
- 38 million point-of-purchase pieces sent to distribution channels

Oct. 26





# The Next 16 Days: CSE Launch

## DAY 5 - 19

- IT systems deployments
- CSE field testing continues
- M2M rating begins
- New POS system deployment
- Capacity augmentations in network switches

## DAY 19

- 1,100 former AT&T Wireless stores converted
- 5,600 agent locations converted
- Inventory on-site

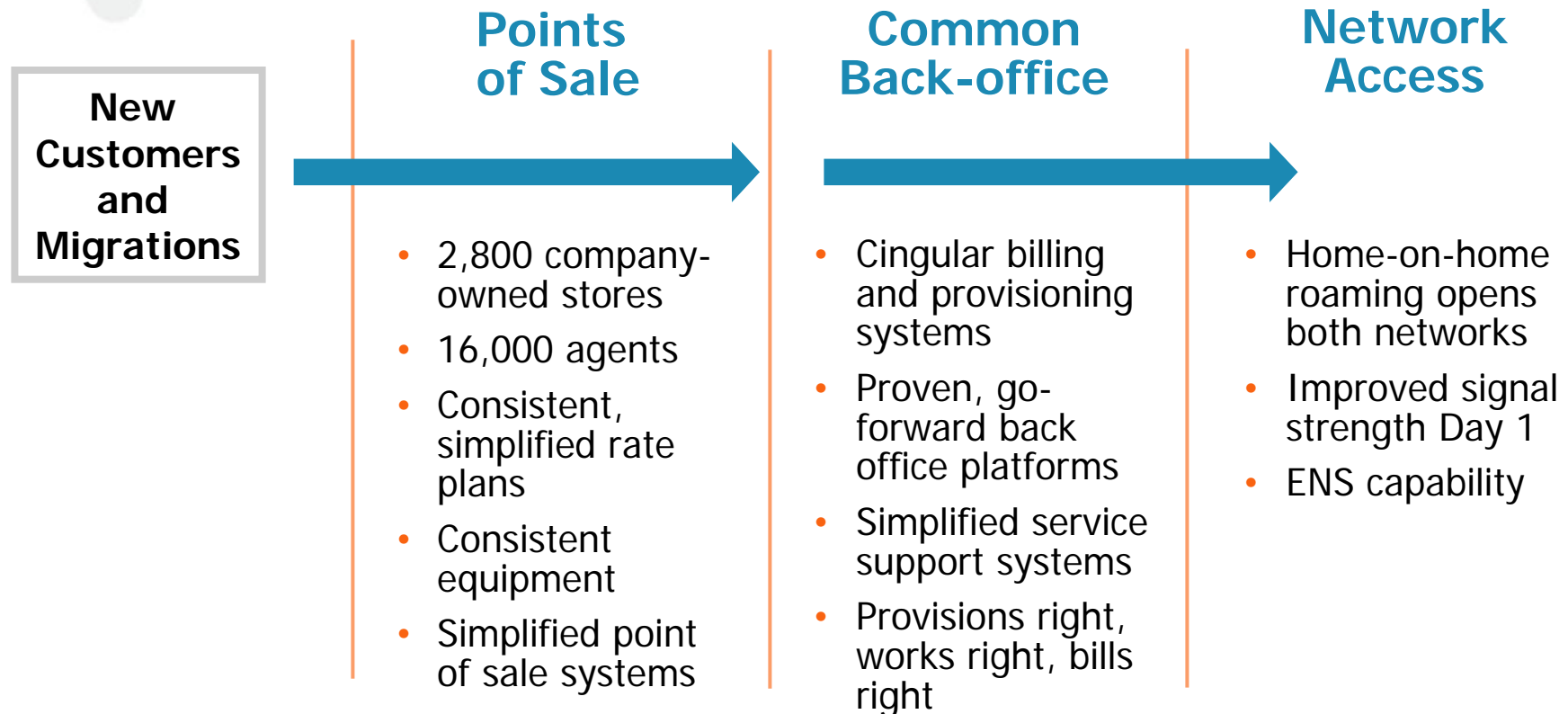
## DAY 20

- Nationwide launch of Common Service Experience
- 2nd wave of advertising launched
- 2 million hours of training completed for 100,000 employees and agents
- 56,000 end-to-end tests performed to ensure new account activations occur correctly

**One of the fastest and largest makeovers  
in the history of U.S. retail**



# Common Service Experience



On a go-forward basis, CSE brings together sales, provisioning, inventory, network, billing and IT and network



# Compelling Customer Benefits

- ✓ Nation's largest digital voice and data network
- ✓ Nation's largest mobile-to-mobile calling community
- ✓ Largest global presence of any U.S. carrier
- ✓ Exclusive handset offers – e.g., Motorola RAZR
- ✓ The only provider offering Rollover
- ✓ Most sales and service locations
- ✓ 30-day guarantee

**Clear customer wins - day one**



# Positive Customer Response

- Strong 4Q sales to date
- 90% of sales since launch on CSE
- Significant pick-up in perceived network quality in customer research
- Better than expected churn

**CSE builds a bridge to the future ... helps improve churn and drive growth as we transform network and support systems**



# Network Integration Objectives

## Move quickly to improve quality and coverage

- In-building penetration and suburban signal improvement
- Foundation for quality high-speed data network
- Intense capacity and coverage build-out in California/Nevada
- Greenfield footprint extension through GSM Alliance

## Combine networks to achieve synergies

- Use best of both networks and decommission non-essential sites
- Improve unit costs on trunking, backhaul, equipment and services
- Preserve and enhance 1900MHz coverage for international roaming

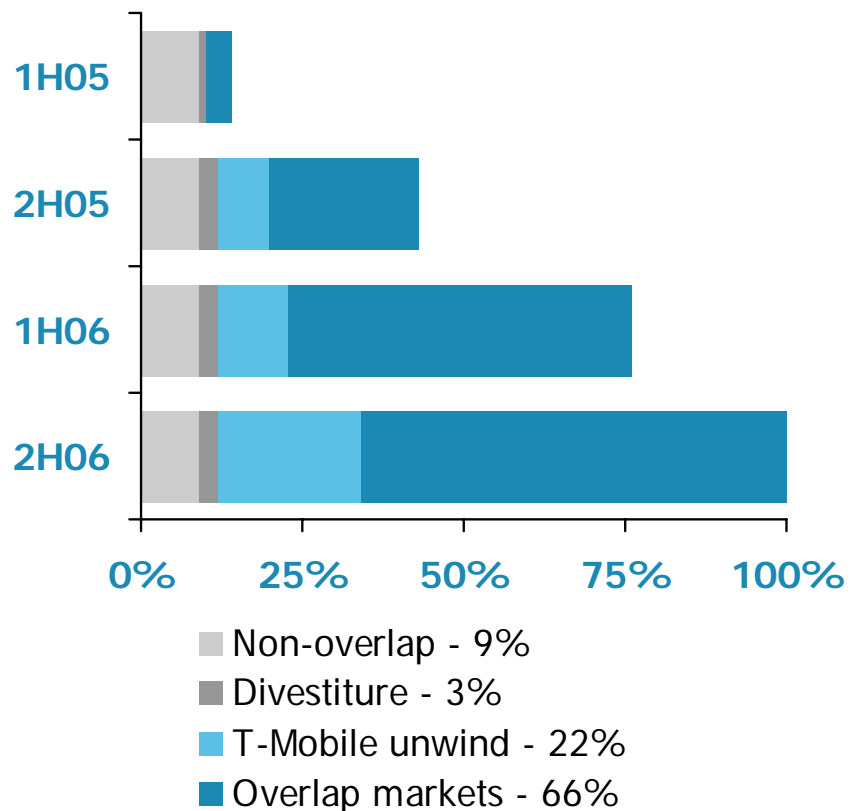
## Move network to UMTS 3G platform

- IP-based core
- Both data and voice
- High-speed, highly efficient



# Network Integration Schedule

Percent of POPs Covered by Completed Network



## 1H05

- Network planning and design
- 6% overlap markets complete

## 2H05

- 35% T-Mobile unwind complete
- 35% overlap markets complete

## 1H06

- 50% T-Mobile unwind complete
- 80% overlap markets complete

## 2H06

- 100% T-Mobile unwind complete
- 100% overlap markets complete



# UMTS Deployment

- Launch **UMTS/HSDPA** in top markets
  - Expect service in 15 to 20 markets by 4Q05
  - Remaining markets in 2006
- Deployment **aligned with network integration schedule**
  - One RF design, one update to civils
- Drive both **voice and data** growth
- Economies of scale drive vendors to deliver 850MHz infrastructure and **cost effective, voice-centric devices**

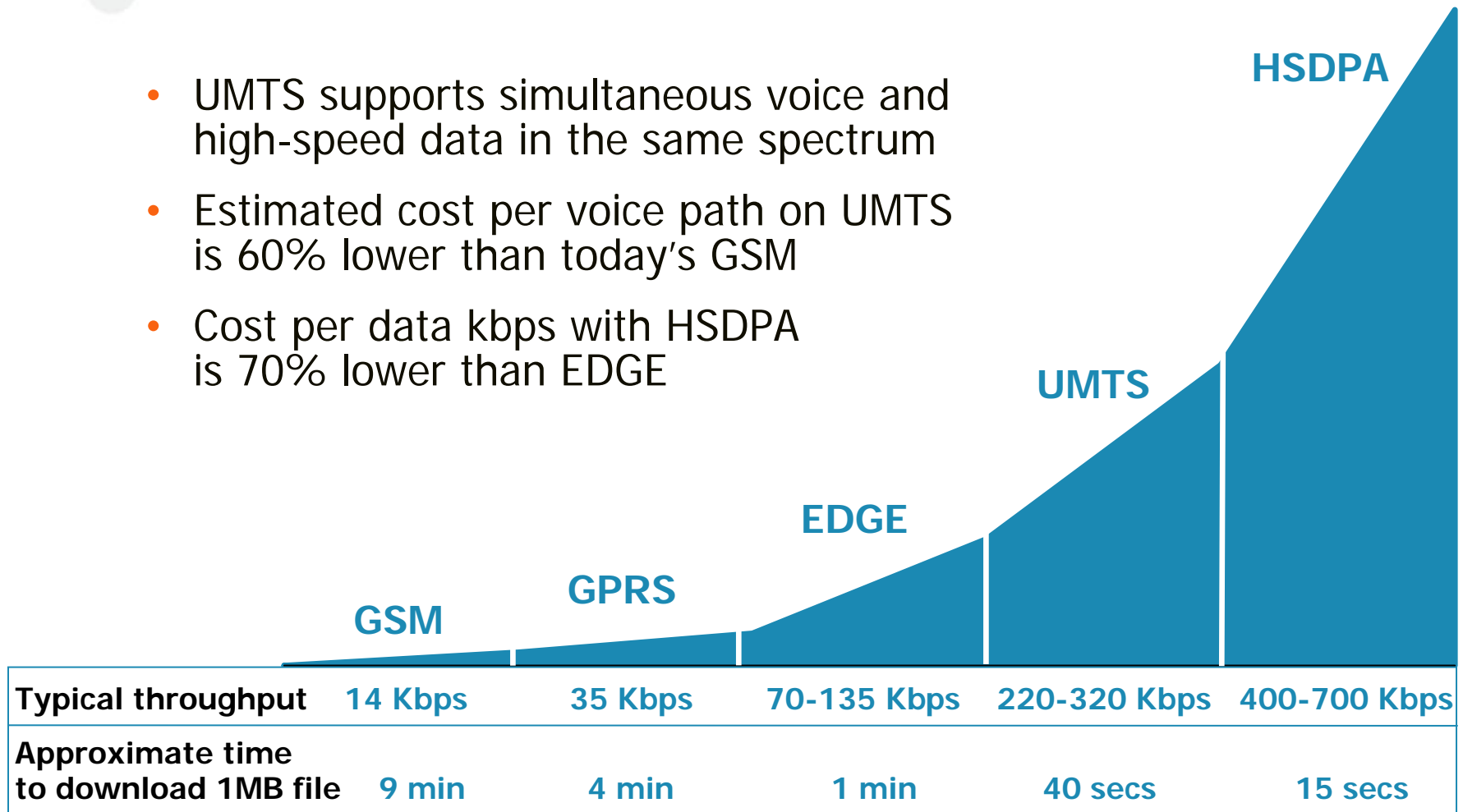


**Combination of EDGE and UMTS/HSDPA gives Cingular the nation's premier wireless data network**



# Network Evolution

- UMTS supports simultaneous voice and high-speed data in the same spectrum
- Estimated cost per voice path on UMTS is 60% lower than today's GSM
- Cost per data kbps with HSDPA is 70% lower than EDGE

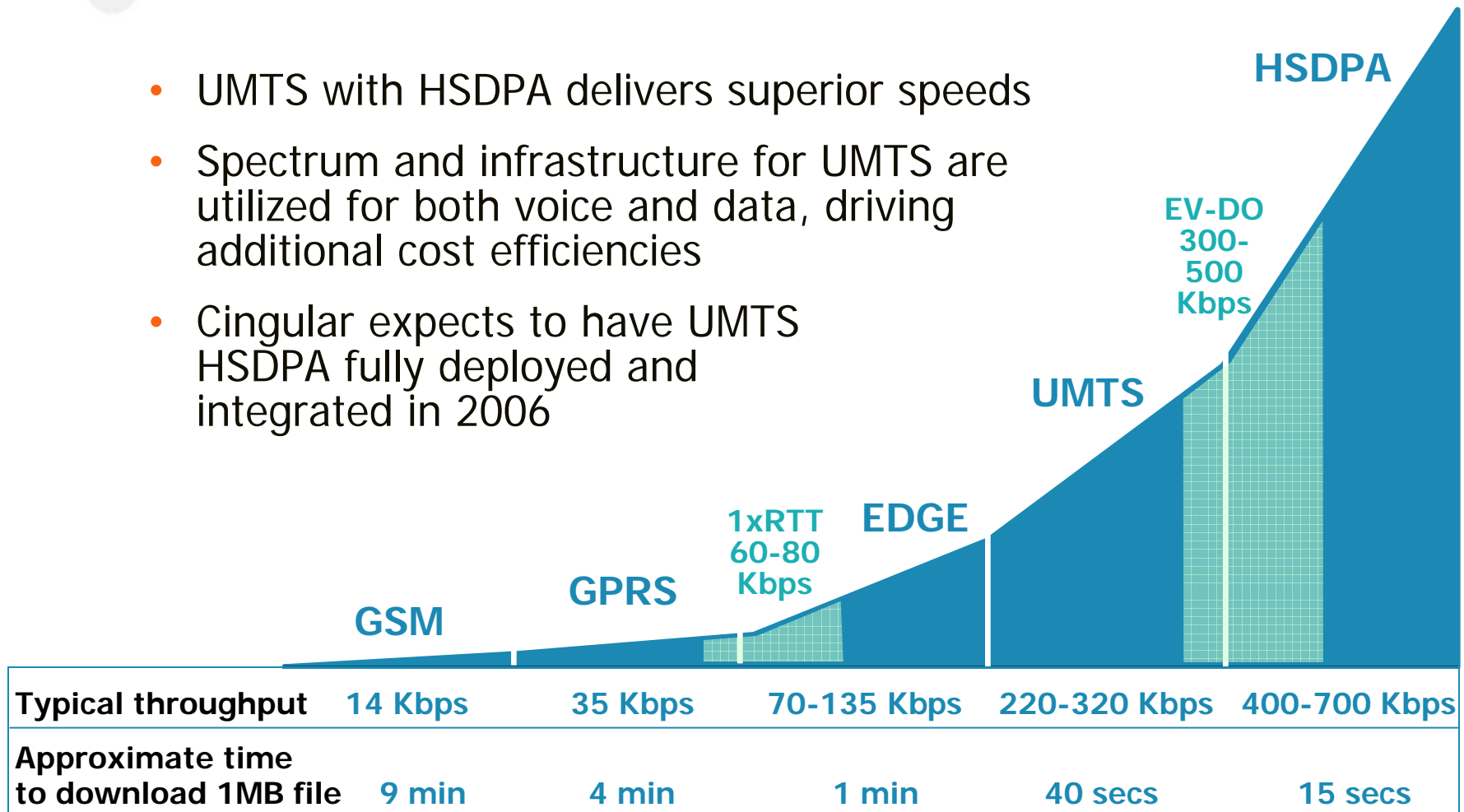






# 3G Comparisons

- UMTS with HSDPA delivers superior speeds
- Spectrum and infrastructure for UMTS are utilized for both voice and data, driving additional cost efficiencies
- Cingular expects to have UMTS HSDPA fully deployed and integrated in 2006

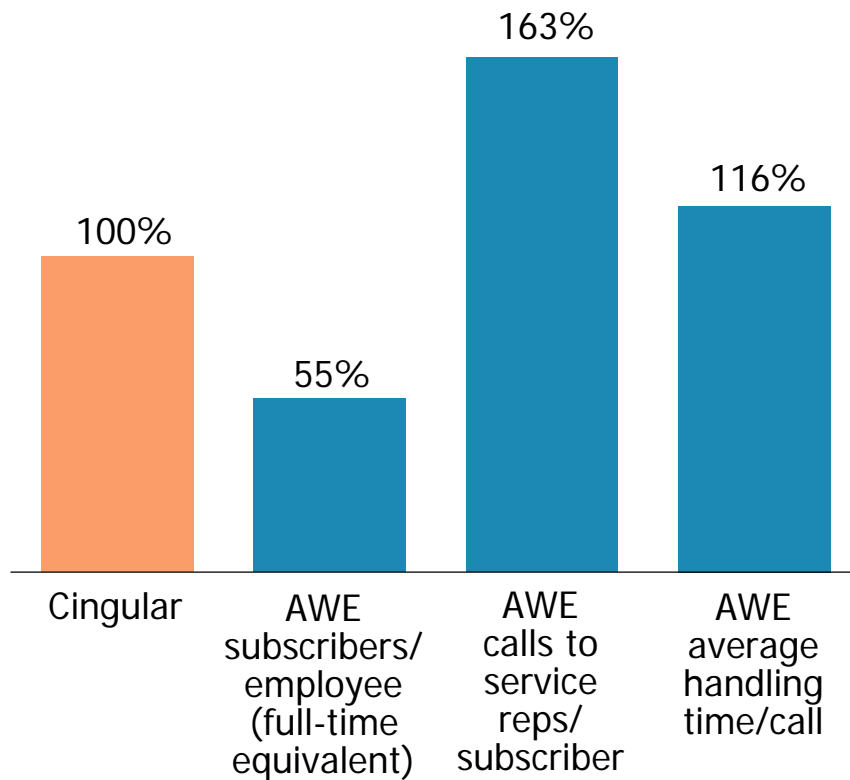




# Customer Service Integration

## Significant Areas of Opportunity

Key AT&T Wireless Customer Service  
Metrics Relative to Cingular



- Customer migration to CSE and best practices will **drive lower costs**
- **Centers rationalized** in pods ... fewer calls, fewer centers
- **Continuous progress** with simplified rates plans and systems
- **Synchronized IT systems** and billing conversions finalized by 4Q06



# Information Technology

**11/16**

- 125 IT projects completed to enable Day 1 activities
- Combined portfolio has over 700 IT applications

**4Q05**

- 40% of former AT&T Wireless customer base on Cingular billing system
- Continuous progress rationalizing IT applications, synergies realized along the way

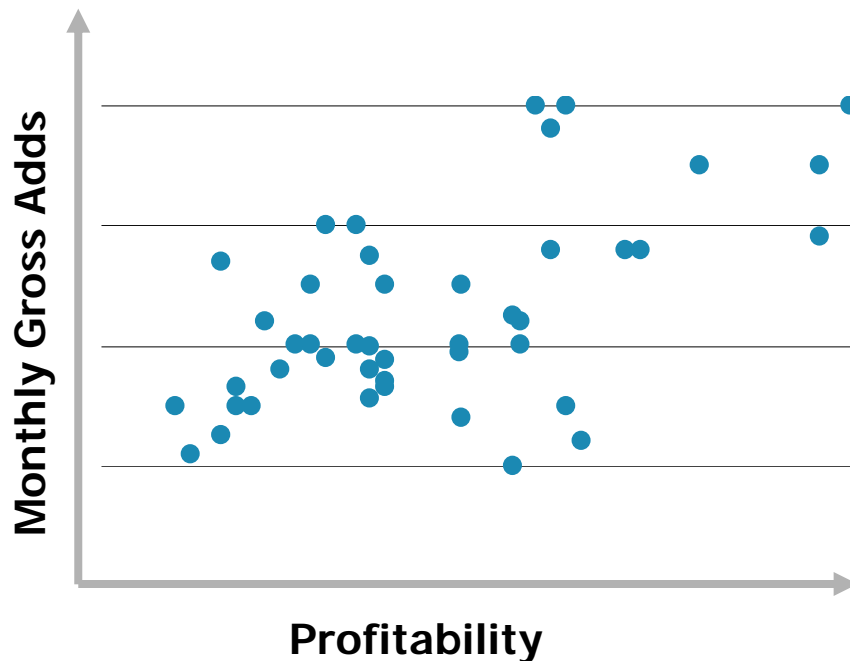
**4Q06**

- 100% customer base on Cingular billing system
- Rationalized to fewer than 300 IT applications

- Logical, **structured work plan**
- **CSE drives IT** and shapes rationalization plan for combined portfolio
- Consolidation of major systems by end of 2006
  - Billing
  - Customer care
  - Core interfacing subsystems
- Additional **cost reduction opportunities**
  - Service desks
  - Data centers
  - Purchasing power



# Distribution Integration



- All points of distribution will remain **in the short term**, through the holiday season
- Distribution rationalization will be **staged carefully** over the next two years
- Going forward, primary focus will be on **optimizing distribution productivity**

Re-branding

CSE: simplified sales and provisioning

Training

Rationalization/optimization



# Raising the Bar

## Strong Momentum

- 4Q store traffic and sales up
- 4Q churn better than expected

## Positive Customer Experience

- Compelling benefits
- Network performance perceptions improved

## Enhanced Business Opportunity

- Nation's largest digital voice and data network
- Attractive data services

**Structured integration plans to drive continuous progress and completion of all major integration projects by 4Q06**



# Pete Ritcher

**Chief Financial Officer  
Cingular Wireless**



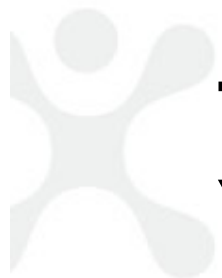


# Financial Overview

**Financial expectations** versus February view

- **Operating synergies** higher
- **Total integration costs and cap ex synergies** largely unchanged
- **Purchase accounting impacts** lower
- Expect Cingular to be **earnings positive in 2005**

**Pro forma historical results** available in filing and on web site



# Third-Quarter Year-To-Date Results

(dollars in billions)

	Cingular Wireless	AT&T Wireless	Combined	Pro forma Combined
<b>Service Revenues</b>	\$ 11.2	\$ 11.4	\$ 22.6	\$ 21.9
<b>Total Revenues</b>	\$ 12.4	\$ 12.5	\$ 24.9	\$ 24.1
<b>Operating Expenses</b>	\$ 10.7	\$ 11.9	\$ 22.6	\$ 22.3
<b>Operating Income</b>	\$ 1.7	\$ 0.6	\$ 2.3	\$ 1.8
<b>IBIT*</b>	\$ 0.7	\$ 0.1	\$ 0.8	\$ 0.8

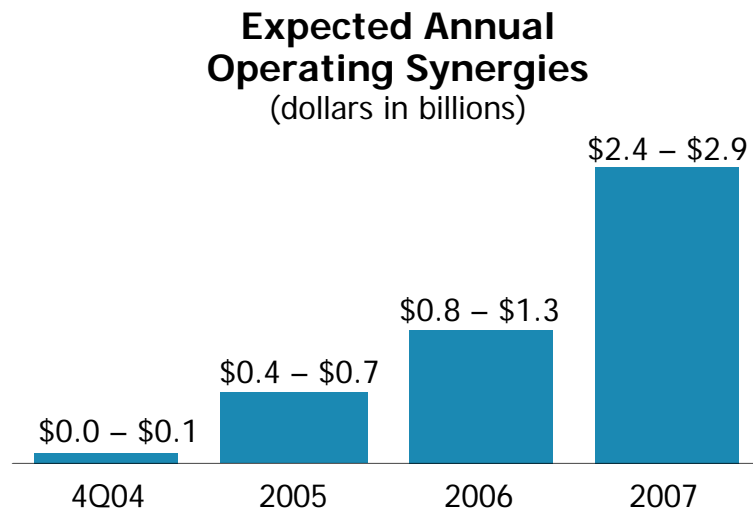
\* IBIT = Income before income taxes





# Annual Operating Synergies

(dollars in billions, pretax)	4Q04	2005	2006	2007
February expectations	\$0.0 - \$0.0	\$0.1 - \$0.4	\$0.5 - \$0.8	\$1.2 - \$1.5
New expectations	\$0.0 - \$0.1	\$0.4 - \$0.7	\$0.8 - \$1.3	\$2.4 - \$2.9



## Sources of Operating Synergies

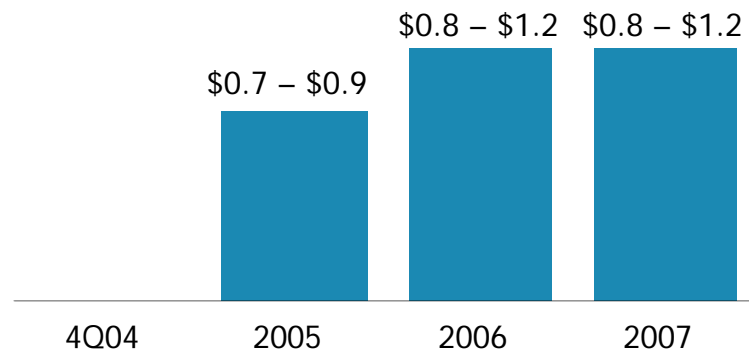
- Network
- Marketing/Sales
- Procurement
- IT/Systems
- Force
- Customer Care



# Annual Cap Ex Synergies

(dollars in billions, pretax)	4Q04	2005	2006	2007
February expectations	\$0.0 - \$0.0	\$0.6 - \$0.9	\$0.8 - \$1.2	\$0.8 - \$1.2
New expectations	\$0.0 - \$0.0	\$0.7 - \$0.9	\$0.8 - \$1.2	\$0.8 - \$1.2

**Expected Annual  
Cap Ex Synergies**  
(dollars in billions)



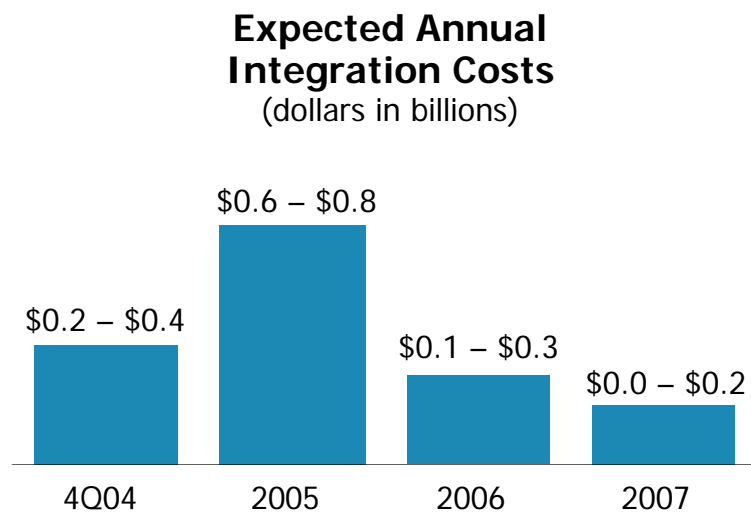
## Sources of Cap Ex Synergies

- Network
- IT
- Distribution



# Annual Integration Costs

(dollars in billions, pretax)	4Q04	2005	2006	2007
February expectations	\$0.0 - \$0.0	\$(1.2) - \$(0.9)	\$(0.4) - \$(0.2)	\$(0.2) - \$0.0
New expectations	\$(0.4) - \$(0.2)	\$(0.8) - \$(0.6)	\$(0.3) - \$(0.1)	\$(0.2) - \$0.0



## Sources of Integration Costs

- IT/Systems
- Network
- Sales/Distribution
- Re-branding
- Force/Severance



# Purchase Accounting

- **Purchase method per SFAS No. 141, Business Combinations**
- **AT&T Wireless assets and liabilities recorded at fair value:** Allocation of fair value to tangible and intangible assets and liabilities, with residual to goodwill
- **Preliminary fair value adjustments primarily relate to PPE, licenses, customers, debt**
  - Property, plant, equipment – **\$5 billion reduction** to net book value
  - FCC Licenses – **\$1 billion increase** to net book value
  - Customer relationships – **valued at \$5 billion**
  - Debt - **\$2 billion fair value adjustment**



# Annual Purchase Accounting Impacts

(dollars in billions, pretax)	4Q04	2005	2006	2007
February expectations	\$(0.0) - \$(0.0)	\$(1.8) - \$(1.5)	\$(1.5) - \$(1.2)	\$(1.2) - \$(0.9)
New expectations	\$(0.2) - \$(0.1)	\$(0.6) - \$(0.4)	\$(0.6) - \$(0.4)	\$(0.1) - \$0.1

## February Purchase Accounting Impacts

- Amortization expense – customer relationships (accelerated method, 5 years)

## New Purchase Accounting Impacts

- Amortization expense – customer relationships (accelerated method, 5 years)
- Depreciation credit – property, plant & equipment
- Amortization expense – other intangibles (tower rights, etc.)
- Interest credit – debt adjustment

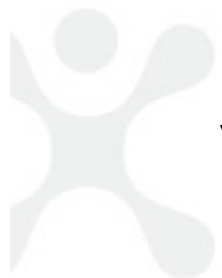


# Annual Other Accounting Impacts

(dollars in billions, pretax)	4Q04	2005	2006	2007
February expectations	\$(0.0) - \$(0.0)	\$(0.0) - \$(0.0)	\$(0.0) - \$(0.0)	\$(0.0) - \$(0.0)
New expectations	\$(0.1) - \$(0.0)	\$(0.6) - \$(0.4)	\$(0.5) - \$(0.3)	\$(0.2) - \$(0.1)

## Other Accounting Issues

- Accounting conformity issues
- Depreciation life changes – accelerated depreciation on “old” Cingular TDMA assets, to be fully depreciated by 2007
- Other non-cash costs related to equipment integrations



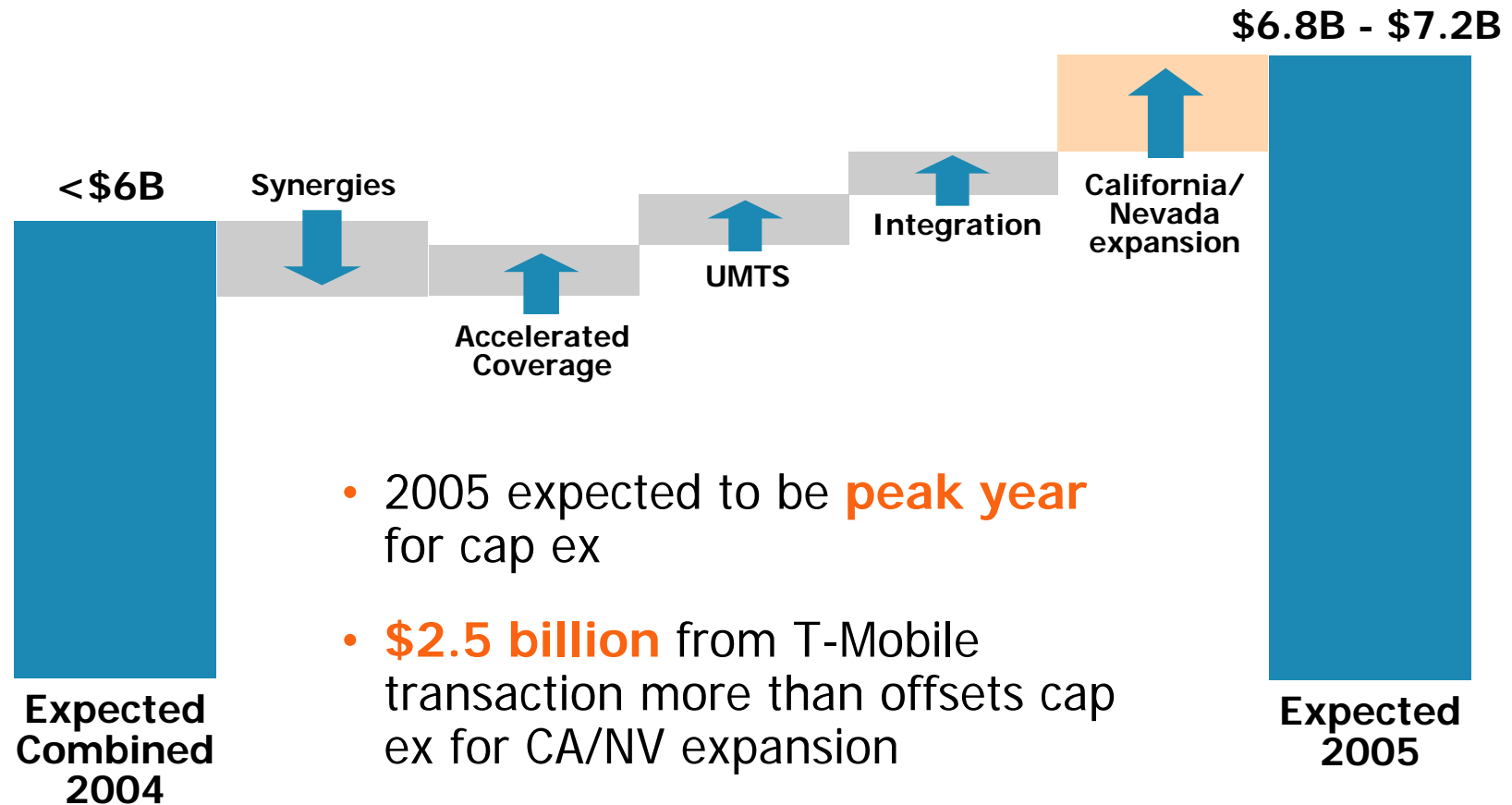
# Summary of Expected Annual Financial Impacts

(dollars in billions, pretax)

	4Q04	2005	2006	2007
<b>Synergies</b>				
Operating Synergies	\$0.0 - \$0.1	\$0.4 - \$0.7	\$0.8 - \$1.3	\$2.4 - \$2.9
Cap Ex Savings	<u>\$0.0 - \$0.0</u>	<u>\$0.7 - \$0.9</u>	<u>\$0.8 - \$1.2</u>	<u>\$0.8 - \$1.2</u>
Total Synergies	\$0.0 - \$0.1	\$1.1 - \$1.6	\$1.6 - \$2.5	\$3.2 - \$4.1
<b>Integration Costs</b>				
Integration Costs	\$(0.4) - \$(0.2)	\$(0.8) - \$(0.6)	\$(0.3) - \$(0.1)	\$(0.2) - \$0.0
<b>Accounting Impacts</b>				
Purchase	\$(0.2) - \$(0.1)	\$(0.6) - \$(0.4)	\$(0.6) - \$(0.4)	\$(0.1) - \$0.1
Other	\$(0.1) - \$(0.0)	\$(0.6) - \$(0.4)	\$(0.5) - \$(0.3)	\$(0.2) - \$(0.1)



# 2005 Capital Expenditures







# Cingular Outlook

- Expected **integration costs** and **cap ex synergies** largely unchanged from previous outlook
- Expected **purchase accounting costs** significantly lower
- Expected **operating synergies** substantially higher
- Cingular stand-alone **cash flow positive** and **earnings positive** in 2005



# Rick Lindner

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

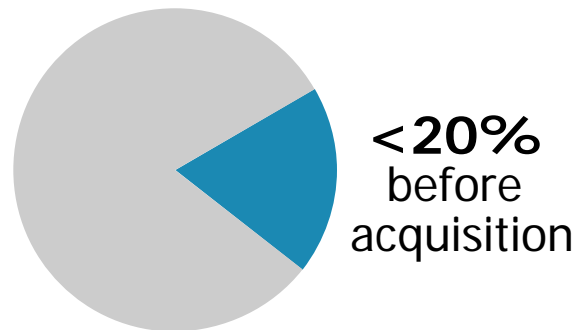
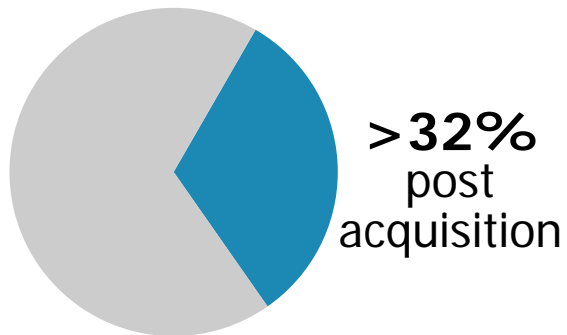




# The New Cingular and SBC

## Increased Exposure To Wireless

Wireless as percent of SBC pro forma  
2004 year-to-date total revenues  
(wireless included on a proportionate basis)



- Increases opportunities for **wireless/wireline service integration**
- Broad footprint and wireless data services strengthen ability to generate **growth in the large business market**



# SBC Financing Summary

(dollars in billions)

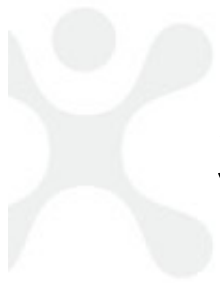
Funding at closing	\$21.6
Cash applied	\$12.9
Financing	
Term debt	\$5.0
Commercial paper	\$3.8
Difference due to rounding	

- **SBC funding** for transaction accomplished with cash, minimal debt
- **SBC total debt net of cash** currently at \$26.3 billion
- **Expect to retire** more than \$5 billion of term debt over the next three years



# Expected SBC EPS Impacts

(earnings per share)	4Q04	2005	2006	2007
Annual operating income and synergies	\$ (0.01) – \$ 0.00	\$ 0.05 – \$ 0.08	\$ 0.13 – \$ 0.17	\$ 0.36 – \$ 0.39
Annual integration costs	\$ (0.05) – \$ (0.03)	\$ (0.09) – \$ (0.07)	\$(0.03) – \$(0.01)	\$ (0.02) – \$ 0.00
Annual financing costs	\$ (0.02) – \$ (0.01)	\$ (0.09) – \$ (0.07)	\$(0.08) – \$(0.06)	\$ (0.07) – \$ (0.05)
Impacts before accounting costs	\$ (0.07) – \$ (0.05)	\$ (0.11) – \$ (0.09)	\$ 0.05 – \$ 0.07	\$ 0.29 – \$ 0.32
Annual accounting costs	\$ (0.03) – \$ (0.02)	\$ (0.11) – \$ (0.09)	\$(0.09) – \$(0.07)	\$ (0.03) – \$ (0.01)
Reported EPS Impacts	\$ (0.09) – \$ (0.07)	\$ (0.21) – \$ (0.19)	\$ (0.03) – \$ (0.01)	\$ 0.27 – \$ 0.30



# SBC Summary

- **Increased exposure to wireless**, much stronger wireless platform
- **Integration and non cash accounting costs** will be broken out in quarterly results
- **Cingular's operating cash flow** will be used to fund the business. Any cash excesses will be shared by the parents



# Ron Dykes

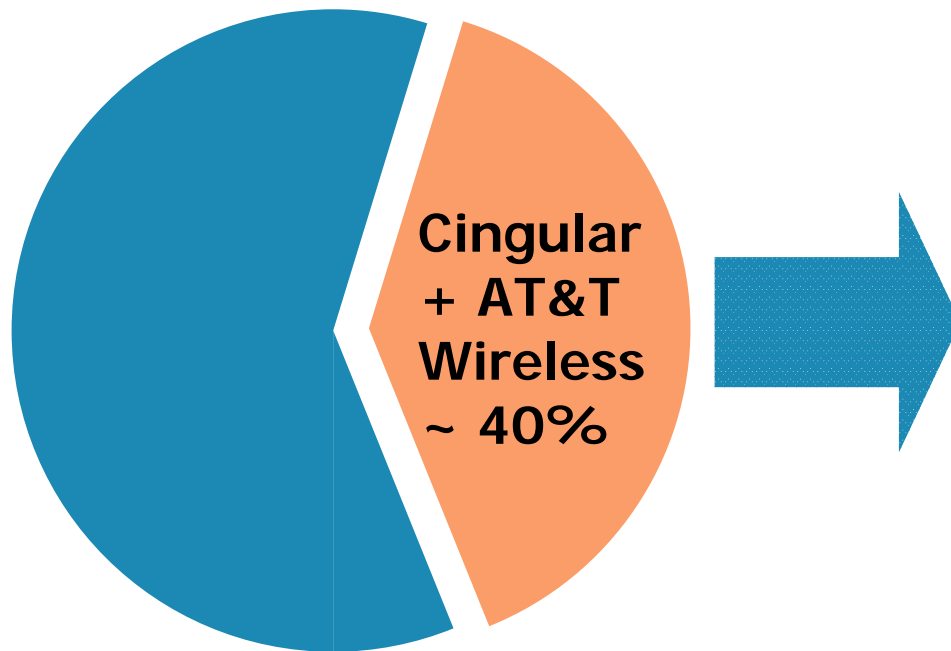
**Chief Financial Officer  
BellSouth**





# Increased Growth Opportunity for BellSouth Results

## BellSouth Revenue Mix



- **Revenue growth** opportunity
- **Cingular margin improvements** will impact BellSouth normalized results
- **Cash flow and returns** to parent companies in 2005





# Wireless Investment – BellSouth Share

Acquisition Price	\$ 41B
AWE Cash Balance	<u>(\$ 5B)</u>
Net Acquisition Price	\$ 36B

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BellSouth Share @ 40%	\$14.5B
Cash and Latin Proceeds	<u>~ \$ 9B</u>
Incremental Debt	~ \$ 6B



## BellSouth's Estimated EPS Impact See Note (1)

	2004	2005	2006	2007
<b>Pro Forma Income and Synergies</b>	\$(0.02)	\$0.07	\$0.18	\$0.38
<b>Integration Costs</b>	\$(0.05)	\$(0.08)	\$(0.03)	\$(0.01)
<b>Accounting Impacts (non-cash)</b>	\$(0.02)	\$(0.11)	\$(0.10)	\$(0.02)
<b>Interest on Debt Borrowed</b>	\$(0.02)	\$(0.09)	\$(0.08)	\$(0.08)
<b>EPS Impact</b>	\$(0.11)	\$(0.20)	\$(0.03)	\$0.27
<b>Normalized EPS*</b>	<b>\$(0.06)</b>	<b>\$(0.12)</b>	<b>\$0.00</b>	<b>\$0.28</b>

Note (1) Outcomes likely to be within a reasonable range of point estimates

\* Excludes integration cost



# BellSouth Financial Summary

- Improves **revenue mix**
- Strengthens **revenue and earnings growth**
- **Complements our wireline business**
- Maintains **balance sheet strength**