



Investor Briefing

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Strong Growth in Data, Wireless and Long Distance Highlights SBC's First-Quarter Results

Economy Impacts Outlook for Remainder of 2001

SAN ANTONIO, April 23, 2001 — SBC Communications Inc. (NYSE: SBC) today reported that its primary growth drivers — data, wireless and long distance — performed strongly during the first quarter.

Highlights included:

- 39.9 percent growth in data revenues
- A net gain of 854,000 subscribers at Cingular, SBC's nationwide wireless joint venture with BellSouth
- 2.2 million long-distance lines in Texas, Oklahoma and Kansas; SBC entered the Texas long-distance market in July 2000, and the two other states in March of this year

As expected, the timing of SBC's investments in its growth initiatives during 2000 impacted first-quarter expense and earnings comparisons. The slowing U.S. economy also dampened growth. First-quarter earnings were \$1.7 billion, or \$0.51 per diluted share, before one-time

items, compared with \$1.9 billion, or \$0.56 per diluted share, in the first quarter a year ago. Operating revenues for the quarter, including results from Cingular, increased 4.7 percent to \$13.1 billion.

First-quarter revenue growth was adversely impacted by SBC's sale of Ameritech's security-monitoring business. Excluding results from this divestiture as well as shifts in directory publishing dates and the pro forma effect on the year-ago quarter of the Cingular venture, first-quarter revenues increased 6.7 percent.

Primarily because of weakening U.S. economic conditions, SBC expects earnings per share for 2001, before one-time items, in the \$2.35 to \$2.40 range.

"The economy is having a greater impact on our business than we projected," said Edward E. Whitacre Jr., SBC chairman and CEO. "We handled the first-quarter revenue

shortfall well, thanks to very disciplined expense management. Going forward, we are determined not to lose sight of our larger strategic mission — including fully developing our broadband capabilities and obtaining long-distance relief in our states as quickly as possible — and we will not compromise our long-term future to preserve near-term projections.

"Broadband is the foundation for a host of new value-added services, and we will continue to pursue it aggressively," Whitacre said. "Long distance complements our broadband strategy, and this year we have the potential to increase our long-distance opportunity from two states to eight states. Looking ahead, we will continue playing to our strengths, and our adjusted game plan for 2001 should yield a much more stable and predictable growth profile for the future."

FIRST-QUARTER RESULTS

(Dollars in millions, except per-share amounts. Results exclude one-time items. First-quarter 2001 results include proportionate Cingular results. First-quarter 2000 not restated.)

(Volumes in thousands)

| | 1001 | 1000 | Change |
|--|----------|----------|--------|
| Total operating revenues | \$13,144 | \$12,553 | 4.7% |
| EBITDA | \$ 5,164 | \$ 5,291 | -2.4% |
| Earnings before extraordinary item | \$ 1,739 | \$ 1,910 | -9.0% |
| Diluted earnings per share | \$ 0.51 | \$ 0.56 | -8.9% |
| Data revenues | \$ 2,127 | \$ 1,521 | 39.9% |
| Wireless subscriber revenues | \$ 1,688 | \$ 1,500 | 12.5% |
| Domestic wireless subscribers ¹ | 20,535 | 17,294 | 18.7% |
| Proportionate international revenue ² | \$ 1,795 | \$ 1,464 | 22.6% |

1 - Represents total Cingular pro forma subscribers in both periods.

2 - Amounts for 2000 have been restated to exclude investments that have been sold or are no longer accounted for under the equity method.

Revenue *and* Expense trends

SBC achieves significant sequential expense and margin improvement, strong results in major growth drivers - data, wireless, long distance

SBC's first-quarter financial performance was defined by: (1) continued strong results in its major growth drivers — data, wireless and long distance; (2) solid expense management as total operating expenses declined 6.1 percent from fourth-quarter 2000 levels; and (3) lower-than-expected revenue growth due to a weakened U.S. economy and increased competition, particularly in the Ameritech region.

In the first quarter:

- Data revenues increased 39.9 percent.
- Cingular Wireless recorded a net subscriber gain of 854,000, compared with a pro forma gain of 695,000 in the first quarter a year ago.
- Total long-distance lines in Texas, Kansas and Oklahoma increased to 2.2 million, up from 1.7 million at the end of the fourth quarter. SBC began selling long-distance services in Texas in July 2000, and in Kansas and Oklahoma this March.
- Compared with the first quarter a year ago, cash operating expenses increased 9.9 percent, reflecting the timing of investments in major growth drivers in 2000. However, from fourth-quarter 2000 levels, cash operating expenses declined 7.1 percent, and SBC's EBITDA margin increased 50 basis points. These sequential improvements occurred despite the fact that first-quarter results included significant expenses to support Cingular's national branding campaign, launched in January, as well as expenses for initiatives to integrate SBC's and BellSouth's formerly separate wireless operations.
- Wireline cash operating expenses declined 7.2 percent, and the company's wireline EBITDA margin increased to 38.8 percent, up 420 basis points from fourth-quarter levels.
- Revenues grew 6.7 percent excluding the impact of the sale of Ameritech's security monitoring business, directory publishing date shifts and the year-ago pro forma effect

of Cingular. Wireline revenues increased 5.0 percent compared with the first quarter a year ago.

REVENUE DYNAMICS

SBC's lower than-expected first-quarter revenue growth in both residential and business markets was caused principally by a weakened U.S. economy, increased competitive inroads and the divestiture of Ameritech's security monitoring business.

SBC has experienced the impacts of a slower economy across its regions, with impacts in February and March being more severe than in the previous months and more severe than the company had anticipated. Across the company, inward call volumes to service centers declined with access line growth trends, particularly in residential markets. Broader economic trends — including housing starts, layoffs and bankruptcies — mirror SBC's business indicators. In California, the largest state in SBC's in-region territory, the macroeconomic impact on access line growth was exacerbated by California's energy crisis and the failure of many dot-com and high-tech startups.

AN IMPORTANT YEAR

SBC is confident in its long-term growth strategies — in data, DSL, wireless and long distance — and its focus is on building platforms in these high-potential areas that are capable of driving sustainable growth in 2002 and the years ahead.

SBC also believes that 2001 is an important year in the telecommunications industry's transformation and in its own development.

- SBC, which started this year providing long distance in two states, hopes to end the year as a long-distance provider in eight states, including the two largest in this country — Texas and California. Long distance is a linchpin to having a full set of products in both the residential and business markets.

SBC Major Revenue Growth Drivers

- Data
- Wireless
- Long Distance

- SBC also has made rapid progress in broadband and believes that in the quarters ahead it has the opportunity to expand substantially its DSL customer base. Demand for broadband services is robust, and SBC plans to be aggressive in expanding its DSL growth platform.
- At the same time, while SBC has made substantial progress on service quality issues at Ameritech, finalizing those efforts while improving the regulatory and competitive climate in the region will require continued effort.

YEAR 2001 PRIORITIES

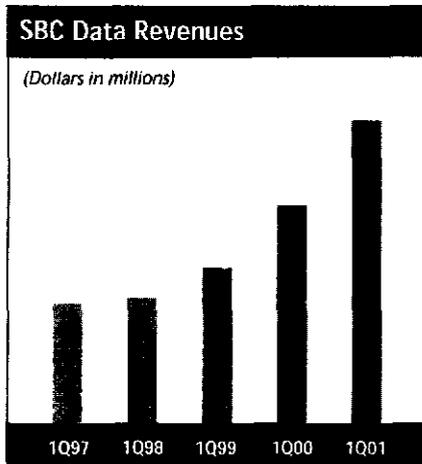
In light of these opportunities and commitments, SBC's priorities in 2001 are:

- Aggressive execution of major growth drivers — data services, mass market broadband (DSL), nationwide wireless and long distance.
- Superior customer service — SBC believes that delivering the market's best customer service provides a critical competitive edge and forms a foundation for future growth initiatives.
- Financial strength — SBC views its financial strength and flexibility as key strategic assets. It is committed to enhancing its already strong balance sheet and solid cash flow through disciplined expense management and investment strategies designed to yield returns well in excess of the cost of capital.

Data *growth*

SBC's wireline data revenues grew 39.9 percent in the first quarter - driven by high-speed transport, network integration and Internet services

In the first quarter, SBC extended its strong growth record in wireline data. Total data revenues increased 39.9 percent compared with the first quarter a year ago and exceeded \$2.1 billion dollars — nearly double SBC's data revenue stream just two years ago.



Data revenues represented 21 percent of SBC's total wireline revenues in the quarter, up from 16 percent in the first quarter a year ago.

SBC's first-quarter data growth highlights included:

- Core data transport products, including DS3s and ATM, sustained their strong growth rates.
- SONET revenues also continued their strong growth, as demand from enterprise customers for high-bandwidth solutions continues to expand rapidly.
- Revenues from integration services were up as well, as enterprise companies continue to turn to SBC for a range of network analysis, planning and security solutions.

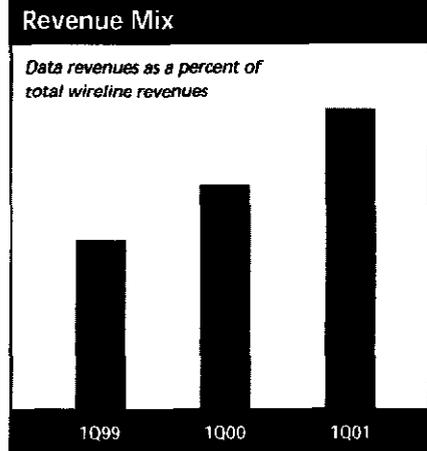
- Strong growth in Internet services revenues also continued as SBC and its subsidiary Sterling Commerce expanded e-business solutions for the small-business market while SBC added to its Web-hosting operations. SBC currently hosts the Web sites of more than 21,000 businesses, nearly double its total a year ago.

DATA GROWTH INITIATIVES

SBC continues to drive growth by migrating customers to higher-speed services and longer-term commitments and by expanding capabilities in attractive market segments.

For example, in the first quarter SBC:

- Launched GigaMAN service in the Southwestern Bell and Pacific Bell regions. The service, which provides high-bandwidth LAN links within a metropolitan area, already has proven very successful in the Ameritech region.
- Expanded sales of its "OnLine Office" bundle of DSL, Internet access, e-mail accounts and Web-hosting services for small businesses. This high-value package helps a wide range of businesses participate more easily in the e-economy through informational Web sites, online catalogs and transaction tools. Sales of OnLine Office have increased dramatically during the past two quarters due in part to mainstreaming the product's sales force to include more than 4,000 general sales people.



- Continued to see strong results from its major sales and marketing alliance with Cisco Systems, which was launched in the second quarter of 2000.
- Launched its second Internet Data Center (IDC). The newest center, in Irvine, California, follows the successful opening of its sister IDC in Dallas in the third quarter of last year. In addition, SBC launched its new WebHosting.com line of dedicated hosting products. SBC acquired a controlling interest in the parent company of WebHosting.com in the third quarter of last year.
- Moved to increase its international data capabilities by developing a frame relay service to Mexico, which is expected to be available in the second quarter, and by adding three virtual border crossings along the Rio Grande region of Texas, which should further increase the sale of private lines to Mexico.

| SBC Data Revenues | | | |
|----------------------------|----------------|----------------|--------------|
| (Dollars in millions) | | | |
| | 1Q01 | 1Q00 | Change |
| Data transport | \$1,534 | \$1,190 | 28.9% |
| Advanced services | \$ 593 | \$ 331 | 79.4% |
| Total data revenues | \$2,127 | \$1,521 | 39.9% |

DSL growth

Total DSL subscribers reach 954,000 at end of quarter; systems advances improve provisioning, quality of customer experience

In the first quarter, SBC made substantial advances in broadband, further strengthening its position as the nation's leading provider of DSL services.

SBC views DSL as a key growth platform for the future — capable of delivering a host of entertainment, information and time management services as well as high-speed Internet access to both residential and business customers. During the past few months, SBC's conviction that DSL holds huge potential as a strategic growth driver has been reinforced by market research.

During the first quarter, SBC:

- Expanded its DSL in-service subscriber base to 954,000.
- Achieved significant improvements in provisioning, operating efficiency and overall customer experience. Due date intervals now average less than 10 business days, and 90 percent of orders are completed on or before their original due dates.
- Further broadened its addressable market through its Project Pronto network build-out. At the end of first quarter, SBC was able to reach 21.7 million customer locations, or more than 50 percent of the company's customer base with its DSL service, up from 12.9 million locations just one year ago.

"Over the past two quarters, SBC has elevated the quality of customers' broadband experience," said Ed Whitacre. "While we are only two years into broadband and still have considerable work to do, demand is strong, per-customer financial metrics are improving, and we are confident in our business model — which is every bit as promising as wireless was in its first years. SBC plans to continue to be aggressive in expanding its DSL growth platform."

"Over the past two quarters, SBC has elevated the quality of customers' broadband experience. While we are only two years into broadband and still have considerable work to do, demand is strong, per-customer financial metrics are improving, and we are confident in our business model — which is every bit as promising as wireless was in its first years."

**EDWARD E. WHITACRE JR.
CHAIRMAN AND CEO**

CUSTOMER GROWTH

SBC's emphasis in the first quarter has been on improved operating efficiencies and enhanced quality for the overall customer experience — both critical foundations for aggressive growth in DSL.

Gross install levels in the first quarter were consistent with results in the fourth quarter, and SBC's net subscriber gain of 187,000 represents a solid extension of recent momentum in light of two factors. Database reconciliations made possible by enhancements to automated systems added to the number of disconnects attributed to this quarter. In addition, during the first quarter, SBC changed its bundled offer of a DSL-ready Compaq PC plus Internet access over DSL, launched in July 2000, so that customers purchased the PC from Compaq rather than as part of a seamless offer. This change resulted in significantly slower sales of the bundle. Excluding the impact of these two factors, SBC's daily net gain in subscribers would have been in the 3,500 - 4,000 range, as expected.

Market trends continue to be positive. The company's most recent research found that in the competitive broadband marketplace SBC maintains its composite leading position in five key service areas — Dallas, Houston, Los Angeles, San Francisco and San Antonio.

Going forward, SBC anticipates volatility in quarterly customer growth numbers as it completes the transition of its customer base to automated systems and as a limited number of ISP (Internet Service Provider) resellers and DSL providers work their way through widely reported financial difficulties. Because more than 80 percent of its DSL customer base obtains Internet access service directly from an SBC entity or affiliate, SBC has limited exposure to ISP financial failure. Nevertheless, a few ISPs' restructuring or closing operations in a quarter could significantly distort that quarter's growth statistics. Over time, SBC expects to continue to be the DSL provider for many of these ISPs' customers — including temporarily displaced customers — whether these ISPs successfully restructure, transition their customers to more stable ISPs or cease operations altogether.

STRONG DEMAND

Demand for DSL services continues to be robust and is expected to grow significantly over the next few years. At the end of 2000, there were more than 6 million U.S. residential customers accessing the Internet through a broadband connection and that number is expected to grow to more than 28 million customers in 2004, according to industry analyst firm Gartner Dataquest. Other recent independent studies have projected even higher totals for residential and small-business customers combined.

Moreover, customers who adopt broadband are passionate in their commitment to the service. Broadband Watch, a new survey

sponsored by SBC Communications designed to check the pulse of today's broadband users, found that residential DSL users spend an average of 25 hours a week online, compared with just 7.5 hours with dial-up Internet service. Broadband Watch, which surveyed customers in SBC's 13-state region, also found that DSL service and the PC have already become the two most important household technologies for customers. Nearly all respondents (96 percent) consider their high-speed Internet access to be an important household technology, more significant than the microwave (88 percent), remote control (87 percent), VCR (81 percent), cable TV (70 percent), and their garage door opener (59 percent).

Looking ahead, the research found that there is growing anticipation for emerging high-speed Internet access products and services. More than two-thirds of the respondents expressed interest in future applications and content such as distance learning (71 percent), video-on-demand (70 percent), videoconferencing (69 percent) and home networking (66 percent).

SUSTAINED DSL LEADERSHIP: MAJOR FOCUS AREAS

In addition to continued expansion of its customer base, SBC continues to make excellent progress in areas that are critical to realizing the tremendous potential of its DSL platform:

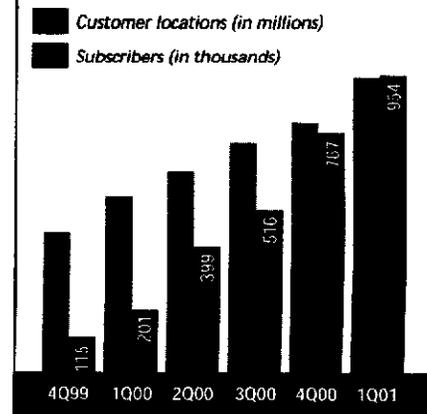
Improved Financial Metrics —

Improved provisioning and added scale already have improved significantly the economics of DSL, and SBC expects continued advances over the next two years. During the past six months, SBC's DSL subscriber acquisition costs have declined more than 25 percent. Going forward, expenses are expected to decline further due to additional process improvements and declining costs for modems and other DSL equipment. At the same time, per-customer revenue growth is expected to be driven by new revenue-generating applications and by a shift in subscriber mix to higher-revenue business customers who purchase premium speeds and multiple IP services.

Expanded Addressable Market — SBC continues to move rapidly with Project Pronto, and the central thrusts of this deployment for its DSL service are reaching more potential customers and moving many more customers into the 14,000-foot-and-under zone. This zone offers superior financial characteristics and a greatly enhanced overall broadband customer experience. Because of regulatory delays, SBC was behind plan in remote terminal deployment in 2000, which impacted both the pace and the initial economics of its DSL initiative.

At the end of first quarter, SBC's total potential broadband customer base reached 21.7 million locations, up from 12.9 million locations just one year ago. SBC has deployed DSL enabling equipment in nearly 1,300 of its central offices, representing more than 90 percent of the company's targeted level for this aspect of Project

DSL Growth



Pronto, and all of these central offices have capacity to support new orders. In addition, SBC now has nearly 3,000 Broadband Neighborhood Gateways in service but has suspended their DSL-related deployment in Illinois due to regulatory issues in that state.

Enhanced Customer Experience —

SBC continues to make good progress making DSL easier, faster and more efficient to install. In the first quarter, nearly 70 percent of new subscribers used self-install. Over the past six months, the percentage of automated order flow-through at SBC's data subsidiary has more than doubled. These process improvements combined with the success of self-installs has enabled SBC to reduce average due date intervals more than 50 percent since September. A key to further enhancing customers' broadband experience is the availability of new applications, and SBC expects to begin trials of several in the coming months.

Wireless *growth*

Cingular adds 854,000 subscribers in quarter to reach 20.5 million, service revenues increase 14.8 percent

Cingular Wireless delivered strong growth in the first quarter as it introduced new services and launched a national campaign establishing its new brand. A joint venture of SBC and BellSouth, Cingular is the United States' second-largest wireless provider, has 20.5 million subscribers and covers markets encompassing a total population of 192 million. SBC owns 60 percent of the joint venture.

Cingular first-quarter highlights include:

- An 854,000 net gain in subscribers, compared with a 695,000 pro forma net gain in the first quarter a year ago and 814,000 subscribers added in the fourth quarter of 2000. Cingular's cellular and PCS customer base grew 18.7 percent from pro forma levels at the end of the first quarter a year ago.
- A 14.8 percent increase in wireless service revenues to \$3.1 billion, compared with pro forma results for the first quarter of 2000.
- An 84,000 increase in subscribers at Cingular Interactive. Over the past year, Cingular Interactive's customer base has more than doubled. Cingular Interactive, formerly BellSouth Wireless Data, provides advanced two-way messaging, customized content services and transaction applications to customers throughout the United States, and it covers more than 93 percent of the urban business population.

Cingular's first-quarter EBITDA margin was 31.7 percent, up more than 300 basis points from fourth-quarter 2000 levels and down from a pro forma 35 percent in the first quarter a year ago. This lower EBITDA margin was driven primarily by higher levels of gross subscriber additions as well as higher cash expenses for marketing and advertising related to Cingular's national branding campaign and for merger-related and integration initiatives. Cingular began operation in the fourth quarter of last year and kicked off its branding initiative in January.

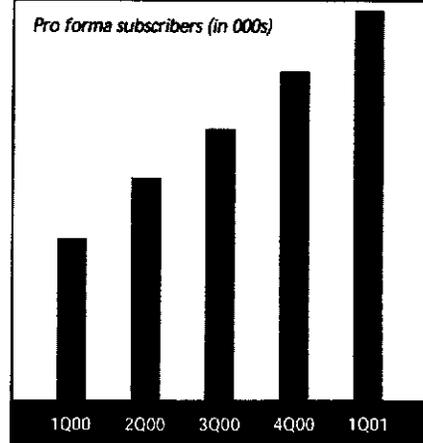
NEW SERVICES, MARKET EXPANSION

In addition to its strong subscriber growth, during the past three months Cingular took important steps to expand its growth potential:

- In January the company launched its nationwide brand with high-profile and highly effective mass media advertising.
- To broaden its geographic reach, in early March, Cingular launched service in the Seattle and Spokane markets with an all-digital GSM (global system for mobile communications) network and 50 stores, more than any other carrier in this market.
- Also in the first quarter, Salmon PCS, of which Cingular is an 85 percent non-controlling equity owner, was a winner of spectrum in the recent 1900 MHz band auction covering approximately 77 million POPs; 28 million of these POPs are in markets where Cingular currently has no presence. The additional spectrum has the potential to add capacity in major existing Cingular markets such as Atlanta, Boston, Dallas, Houston and Washington, D.C., as well as in new markets including Denver, Minneapolis and Pittsburgh.

Cingular: Total Domestic Wireless Subscribers

Pro forma subscribers (in 000s)



- In early April, Cingular advanced its integration and customer service objectives by announcing plans to consolidate and streamline customer service functions. New, multifunctional regional centers will replace small centers and will handle inbound and outbound customer service, collections, credit, activations, roaming and technical support. Cingular also is consolidating regional distribution centers into a single, more efficient facility.
- In March, the company announced "Cingular Wireless Internet Express," the first operational standards-based General Packet Radio Service (GPRS) in the United States. The service provides customers in Cingular's GSM markets with faster wireless access to e-mail, Internet, games and other services.
- Cingular also announced the launch of the first Hispanic wireless Internet portal offered by a wireless carrier in the United States. Cingular already is a leading wireless provider in nine of the country's top 10 Hispanic metropolitan area markets.

Cingular Focus

- 20.5 million subscribers
- 192 million POPs
- 43 of top 50 U.S. markets
- \$3.3 billion in revenues (1Q01)
- \$972 million EBITDA (1Q01)
- SBC ownership - 60 percent

x cingular
WIRELESS

x cingular
WIRELESS

Cingular pro forma financial statements are available in the Investor Relations section of SBC's Web site.
www.sbc.com

Long-Distance *growth*

SBC launches long-distance service in two states, ends first quarter with 2.2 million lines in Texas, Kansas and Oklahoma

In the first quarter, SBC sustained its strong growth in the Texas long-distance market, launched service in two additional states — Kansas and Oklahoma — and won state commission approval to file with the FCC (Federal Communications Commission) to enter the Missouri market. SBC is the first of the former regional Bell companies to gain long-distance approvals in multiple states.

SBC views interLATA long distance as a key growth driver for the future — adding to its bundles of services for residential and small-business customers and greatly expanding its ability to deliver packages of data services for larger enterprises with more sophisticated communications requirements.

SBC's long-distance business model is built on positive economics — combining increased revenues per customer with an attractive cost structure. The company's long-distance support systems for billing and customer service are already in place, its mix of sales channels is efficient, and SBC has an attractive nationwide transport alliance with Williams Communications Group, the United States' largest next-generation long-distance network.

WINNING WITH CUSTOMERS

SBC's Southwestern Bell Long Distance unit began marketing services in Texas on July 10, 2000. At the end of the first quarter, less than nine months after launch, it had won more than 2.1 million lines. Southwestern Bell has approximately 10 million access lines in Texas, and the state's total long-distance market is estimated at \$7.7 billion annually.

In March, Southwestern Bell Long Distance added to its array of services for customers in Texas with its introduction of SuperMexico "block-of-time" monthly plans that offer calls to neighboring Mexico for flat, highly competitive rates. According to the FCC, Mexico is the second most frequently called international destination by U.S. consumers. Currently more than 50 percent of Southwestern Bell Long Distance international calls are placed to Mexico, making it the most called country by the company's subscribers in Texas.

On March 7, the company launched long-distance service in Kansas and Oklahoma, and on a percentage basis its initial sales pace in these states has been comparable to its early growth in Texas. Southwestern Bell has more than 3 million access lines in the two states.

Southwestern Bell's flagship offer in Kansas and Oklahoma is a stand-alone basic rate of 10 cents a minute. Customers who purchase Southwestern Bell long distance as part of a "Simple Solutions" package of vertical calling services receive a rate of 8 cents a minute. The company also offers calling-card services, international calling and a range of plans for business customers.

MISSOURI APPLICATION, ADDITIONAL STATES

On April 4, SBC formally asked the FCC for permission to offer long-distance services in Missouri. The filing followed unanimous endorsement of SBC's application by the Missouri Public Service Commission in March. SBC expects the FCC to rule by July.

SBC continues to make good progress in additional states and expects to gain approvals for long-distance launches in California, Nevada and Arkansas this year. Independent systems testing is under way in each of the Ameritech states, and based on current progress, Michigan is expected to be the first of those states to file an application with the FCC.

Long-Distance Market Estimates
(SBC's in-region, 12-state)

| Region | Estimated total long-distance market revenues |
|---|---|
| SOUTHWESTERN BELL Texas, Kansas, Oklahoma | \$8.7 billion |
| Missouri, Arkansas | \$2.0 billion |
| PACIFIC BELL/NEVADA BELL California, Nevada | \$16.9 billion |
| AMERITECH Illinois, Indiana, Ohio, Michigan, Wisconsin | \$21.2 billion |
| TOTAL 12-STATES | \$48.8 billion |

International *growth*

Increases in customers and revenues expand platforms for growth and value creation

In the first quarter, SBC's broad international holdings continued to generate strong gains in customers and revenues, expanding their growth platforms for the future.

First-quarter highlights from SBC's directly held international investments, excluding the impacts of divestitures during the past year, include:

- 55.4 percent growth in total wireless subscribers to 34.9 million
- 4.4 percent growth in total landline access lines to 38.2 million
- 18.3 percent growth in total revenues to \$10.7 billion

Equity income from SBC's international holdings declined primarily because of the sale of assets during the past year.

GROWTH INITIATIVES

During the first quarter, the companies in which SBC is an investor continued to generate solid growth, particularly in wireless and data services, and they took important steps to expand their growth potential.

First-quarter highlights include:

- Telecom Americas, the Latin American joint venture among SBC, Mexico's América Móvil and Bell Canada International, acquired an equity interest in the São Paulo State cellular company Tess. Tess serves approximately 940,000 subscribers in the

SBC International Highlights

(Dollars in millions)

(Volumes in 000s)

| | 1Q01 | 1Q00 | Change |
|----------------------------------|----------|----------|--------|
| Equity income | \$ 177 | \$ 199 | -11.1% |
| Total access lines | 38,239 | 36,611 | 4.4% |
| Total wireless customers | 34,855 | 22,423 | 55.4% |
| Total revenues | \$10,720 | \$ 9,065 | 18.3% |
| Proportionate access lines | 6,644 | 6,595 | 0.7% |
| Proportionate wireless customers | 4,401 | 2,917 | 50.9% |
| Proportionate revenues | \$ 1,795 | \$ 1,464 | 22.6% |

Amounts for 2000 have been restated to exclude investments that have been sold or are no longer accounted for under the equity method.

Brazilian State of São Paulo excluding the Metropolitan São Paulo region — an area with a population of 18.4 million.

- Belgacom's wireless operation reached more than 3.6 million subscribers at the end of March, up 385,000 during the past three months.
- TDC announced that it plans to accelerate the rollout of ADSL broadband service in Denmark so that more than 95 percent of Danish households will have the opportunity to sign up for ADSL within the next 17 months.

NORTH AMERICAN GROWTH PLATFORM

SBC's international alliances with and investments in Telmex, América Móvil, Bell Canada and Williams Communications Group form a high-potential North American growth platform. Telmex is Mexico's premier telecommunications company. América Móvil, Latin America's largest wireless communications provider, owns Telcel in Mexico and telecommunications investments in several countries throughout the region. Bell Canada is the largest communication provider in Canada. Williams has completed the United States' largest next-generation network connecting 125 U.S. cities.

Core *growth*

Vertical service features in service increased 17.2 percent; VGEs grew 17 percent

A solid core business continues to be the foundation for SBC's major growth strategies. In the first quarter, SBC's core operations — which include wireline voice, switched access, vertical services, directory and wholesale services — delivered essentially flat revenue growth, reflecting a weakened U.S. economy and declines in access revenues largely due to

slightly reduced minutes of use and regulatory mandated price decreases. First-quarter core revenues exclude the impacts of shifts in directory publication dates as well as the sale of Ameritech's security monitoring business.

First-quarter highlights include:

- 17 percent growth in VGEs (voice grade equivalents) to 107 million. Traditional access lines increased slightly to 61.3 million.
- 17.2 percent growth in vertical service features, and more than 20 percent growth in total household penetration of packages.
- Directory revenues excluding the impacts of shifts in publication dates increased 2.7 percent.

SBC VGE Line Growth

| <i>(in thousands)</i> | 1Q01 | 1Q00 | Change |
|-----------------------|---------|--------|--------|
| Business VGEs | 64,154 | 52,053 | 23.2% |
| Residence VGEs | 42,279 | 38,722 | 9.2% |
| Other VGEs | 625 | 730 | -14.4% |
| Total VGEs | 107,058 | 91,505 | 17.0% |

Cautionary Language Concerning Forward-Looking Statements

Information set forth in this *Investor Briefing* contains financial estimates and other forward-looking statements that are subject to risks and uncertainties. A discussion of factors that may affect future results is contained in SBC's filings with the Securities and Exchange Commission. SBC disclaims any obligation to update or revise statements contained in this *Investor Briefing* based on new information or otherwise.

SBC Communications Inc.**Consolidated Statements of Income (Unaudited)**

(Dollars in Millions, Except per Share Amounts)

| | Three Months Ended | | |
|--|--------------------|-----------------|---------------|
| | 3/31/01 | 3/31/00 | % Change |
| Operating Revenues | | | |
| Landline local service | \$ 5,568 | \$ 5,124 | 8.7% |
| Wireless subscriber | 54 | 1,500 | - |
| Network access | 2,603 | 2,665 | -2.3% |
| Long distance service | 793 | 803 | -1.2% |
| Directory advertising | 830 | 882 | -5.9% |
| Other | 1,342 | 1,579 | -15.0% |
| Total Operating Revenues | 11,190 | 12,553 | -10.9% |
| Operating Expenses | | | |
| Operations and support | 6,083 | 7,214 | -15.7% |
| EBITDA* | 5,107 | 5,339 | -4.3% |
| Depreciation and amortization | 2,448 | 2,263 | 8.2% |
| Total Operating Expenses | 8,531 | 9,477 | -10.0% |
| Operating Income | 2,659 | 3,076 | -13.6% |
| Interest Expense | 459 | 356 | 28.9% |
| Interest Income | 178 | 24 | - |
| Equity in Net Income of Affiliates | 401 | 200 | - |
| Other Income (Expense) - Net | 106 | 17 | - |
| Income Before Income Taxes | 2,885 | 2,961 | -2.6% |
| Income Taxes | 1,021 | 1,139 | -10.4% |
| Income Before Extraordinary Item | 1,864 | 1,822 | 2.3% |
| Extraordinary Item, net of tax | (10) | - | - |
| Net Income | \$ 1,854 | \$ 1,822 | 1.8% |
| Basic Earnings Per Share: | | | |
| Income Before Extraordinary Item | \$ 0.55 | \$ 0.54 | 1.9% |
| Net Income | \$ 0.55 | \$ 0.54 | 1.9% |
| Weighted Average Common Shares Outstanding (000,000) | 3,377 | 3,396 | -0.6% |
| Diluted Earnings Per Share: | | | |
| Income Before Extraordinary Item | \$ 0.55 | \$ 0.53 | 3.8% |
| Net Income | \$ 0.54 | \$ 0.53 | 1.9% |
| Weighted Average Common Shares Outstanding with Dilution (000,000) | 3,413 | 3,432 | -0.6% |
| Diluted Earnings Per Share Before Goodwill Charges: | | | |
| Income Before Extraordinary Item | \$ 0.57 | \$ 0.57 | - |
| Net Income | \$ 0.57 | \$ 0.57 | - |

*EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization.

SBC Communications Inc.**Consolidated Statements of Income - Normalized (Unaudited)**

(Dollars in Millions, Except per Share Amounts)

| | Three Months Ended | | |
|--|--------------------|-----------------|---------------|
| | 3/31/01 | 3/31/00 | % Change |
| Operating Revenues | | | |
| Landline local service | \$ 5,568 | \$ 5,124 | 8.7% |
| Wireless subscriber | 1,688 | 1,500 | 12.5% |
| Network access | 2,592 | 2,665 | -2.7% |
| Long distance service | 793 | 803 | -1.2% |
| Directory advertising | 830 | 882 | -5.9% |
| Other | 1,673 | 1,579 | 6.0% |
| Total Operating Revenues | 13,144 | 12,553 | 4.7% |
| Operating Expenses | | | |
| Operations and support | 7,980 | 7,262 | 9.9% |
| EBITDA* | 5,164 | 5,291 | -2.4% |
| Depreciation and amortization | 2,408 | 2,192 | 9.9% |
| Total Operating Expenses | 10,388 | 9,454 | 9.9% |
| Operating Income | 2,756 | 3,099 | -11.1% |
| Interest Expense | 483 | 356 | 35.7% |
| Interest Income | 79 | 24 | - |
| Equity in Net Income of Affiliates | 188 | 200 | -6.0% |
| Other Income (Expense) - Net | 136 | 17 | - |
| Income Before Income Taxes | 2,676 | 2,984 | -10.3% |
| Income Taxes | 937 | 1,074 | -12.8% |
| Income Before Extraordinary Item | 1,739 | 1,910 | -9.0% |
| Extraordinary Item, net of tax | (10) | - | - |
| Net Income | \$ 1,729 | \$ 1,910 | -9.5% |
| Basic Earnings Per Share: | | | |
| Income Before Extraordinary Item | \$ 0.52 | \$ 0.56 | -7.1% |
| Net Income | \$ 0.51 | \$ 0.56 | -8.9% |
| Weighted Average Common Shares Outstanding (000,000) | 3,377 | 3,396 | -0.6% |
| Diluted Earnings Per Share: | | | |
| Income Before Extraordinary Item | \$ 0.51 | \$ 0.56 | -8.9% |
| Net Income | \$ 0.51 | \$ 0.56 | -8.9% |
| Weighted Average Common Shares Outstanding with Dilution (000,000) | 3,413 | 3,432 | -0.6% |
| Diluted Earnings Per Share Before Goodwill Charges: | | | |
| Income Before Extraordinary Item | \$ 0.54 | \$ 0.58 | -6.9% |
| Net Income | \$ 0.53 | \$ 0.58 | -8.6% |

The first quarter of 2001 reflects 60% proportional consolidation of Cingular actual results plus the residual wireless properties we hold that have not yet been contributed to Cingular. First quarter 2000 results reflect the historical results of our wireless businesses that have been or will be contributed to Cingular.

*EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization.

Normalized 2001 net income excluded the following special items:

Pension settlement gains of (\$330) related to management employees, primarily resulting from a voluntary retirement program net of costs associated with that program.

Combined charges of \$205 related to impairment of our cable operations.

Normalized 2000 net income excluded the following special items:

Pension settlement gains of (\$161) primarily related to employees who terminated employment during 1999.

A charge of \$132 related to in-process research and development from the March 2000 acquisition of Sterling.

Costs of \$117 associated with strategic initiatives and other adjustments resulting from the merger integration process with Ameritech.

SBC Communications Inc.**Consolidated Statements of Income - Normalized (Unaudited)**

(Dollars in Millions, Except per Share Amounts)

| | Three Months Ended | | |
|---|--------------------|----------------|---------------|
| | 3/31/01 | 3/31/00 | % Change |
| Wireline | | | |
| Operating Revenues | | | |
| Local service | \$ 5,564 | \$5,128 | 8.5% |
| Network access | 2,603 | 2,688 | -3.2% |
| Long distance service | 748 | 763 | -2.0% |
| Other | 1,192 | 1,046 | 14.0% |
| Total Operating Revenues | 10,107 | 9,625 | 5.0% |
| Operating Expenses | | | |
| Operations and support | 6,182 | 5,408 | 14.3% |
| EBITDA* | 3,925 | 4,217 | -6.9% |
| Depreciation and amortization | 1,967 | 1,787 | 10.1% |
| Total Operating Expenses | 8,149 | 7,195 | 13.3% |
| Operating Income | 1,958 | 2,430 | -19.4% |
| Interest Expense | 333 | 317 | 5.0% |
| Other Income (Expense) - Net | 15 | 22 | -31.8% |
| Income Before Income Taxes | \$ 1,640 | \$2,135 | -23.2% |
| Wireless** | | | |
| Operating Revenues | | | |
| Subscriber Revenues | \$ 1,688 | \$1,500 | 12.5% |
| Other | 343 | 326 | 5.2% |
| Total Operating Revenues | 2,031 | 1,826 | 11.2% |
| Operating Expenses | | | |
| Operations and support | 1,455 | 1,173 | 24.0% |
| EBITDA* | 576 | 653 | -11.8% |
| Depreciation and amortization | 287 | 279 | 2.9% |
| Total Operating Expenses | 1,742 | 1,452 | 20.0% |
| Operating Income | 289 | 374 | -22.7% |
| Interest Expense | 142 | 39 | - |
| Equity in Net Income of Affiliates | 7 | 1 | - |
| Other Income (Expense) - Net | 35 | (35) | - |
| Income Before Income Taxes | \$ 189 | \$ 301 | -37.2% |
| Directory | | | |
| Operating Revenues | \$ 824 | \$ 871 | -5.4% |
| Operating Expenses | | | |
| Operations and support | 440 | 482 | -8.7% |
| EBITDA* | 384 | 389 | -1.3% |
| Depreciation and amortization | 9 | 8 | 12.5% |
| Total Operating Expenses | 449 | 490 | -8.4% |
| Operating Income | 375 | 381 | -1.6% |
| Interest Expense | — | 3 | - |
| Other Income (Expense) - Net | 5 | 5 | - |
| Income Before Income Taxes | \$ 380 | \$ 383 | -0.8% |
| International | | | |
| Operating Revenues | \$ 70 | \$ 61 | 14.8% |
| Operating Expenses | 75 | 89 | -15.7% |
| Operating Income (Loss) | (5) | (28) | 82.1% |
| Interest Expense | 1 | 70 | -98.6% |
| Equity in Net Income of Affiliates | 177 | 199 | -11.1% |
| Other Income (Expense) - Net | 107 | 138 | -22.5% |
| Income Before Income Taxes | \$ 278 | \$ 239 | 16.3% |

*EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization.

**The first quarter of 2001 reflects 60% proportional consolidation of Cingular actual results plus the residual wireless properties we hold that have not yet been contributed to Cingular. First quarter 2000 results reflect the historical results of our wireless businesses that have been or will be contributed to Cingular.

SBC Communications Inc.**Consolidated Balance Sheets (Unaudited)**

(Dollars in Millions, Except per Share Amounts)

| | 3/31/01 | 12/31/00 |
|--|-----------|-----------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 551 | \$ 643 |
| Accounts receivable - net of allowances for uncollectibles of \$1,008 and \$1,032 | 9,315 | 10,144 |
| Prepaid expenses | 999 | 550 |
| Deferred income taxes | 612 | 671 |
| Notes receivable from Cingular Wireless | 9,138 | 9,568 |
| Other current assets | 1,099 | 1,640 |
| Total current assets | 21,714 | 23,216 |
| Property, Plant and Equipment - at cost | 121,365 | 119,753 |
| Less: Accumulated depreciation and amortization | 73,815 | 72,558 |
| Property, Plant and Equipment - Net | 47,550 | 47,195 |
| Intangible Assets - Net of Accumulated Amortization of \$557 and \$746 | 5,022 | 5,475 |
| Investments in Equity Affiliates | 11,399 | 12,378 |
| Other Assets | 11,640 | 10,387 |
| Total Assets | 97,325 | \$ 98,651 |
| Liabilities and Shareowners' Equity | | |
| Current Liabilities | | |
| Debt maturing within one year | \$ 10,643 | \$ 10,470 |
| Accounts payable and accrued liabilities | 13,770 | 15,432 |
| Accrued taxes | 2,645 | 3,592 |
| Dividends payable | 867 | 863 |
| Total current liabilities | 27,925 | 30,357 |
| Long-Term Debt | 16,561 | 15,492 |
| Deferred Credits and Other Noncurrent Liabilities | | |
| Deferred income taxes | 7,288 | 6,806 |
| Postemployment benefit obligation | 9,811 | 9,767 |
| Unamortized investment tax credits | 302 | 318 |
| Other noncurrent liabilities | 4,622 | 4,448 |
| Total deferred credits and other noncurrent liabilities | 22,023 | 21,339 |
| Corporation-obligated mandatorily redeemable preferred securities of subsidiary trusts | 500 | 1,000 |
| Shareowners' Equity | | |
| Common shares issued (\$1 par value) | 3,433 | 3,433 |
| Capital in excess of par value | 12,105 | 12,125 |
| Retained earnings | 19,333 | 18,341 |
| Guaranteed obligations of employee stock ownership plans | (21) | (21) |
| Deferred Compensation - LESOP | (33) | (37) |
| Treasury shares (at cost) | (2,933) | (2,071) |
| Accumulated other comprehensive income | (1,568) | (1,307) |
| Total shareowners' equity | 30,316 | 30,463 |
| Total Liabilities and Shareowners' Equity | \$ 97,325 | \$ 98,651 |

SBC Communications Inc.**Consolidated Statement of Cash Flows (Unaudited)**

(Dollars in Millions, Increase (Decrease) in Cash and Cash Equivalents)

| | Three months ended | |
|--|--------------------|---------------|
| | 3/31/01 | 3/31/00 |
| Operating Activities | | |
| Net income | \$ 1,854 | \$ 1,822 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,448 | 2,263 |
| Undistributed earnings from investments in equity affiliates | 216 | (152) |
| Provision for uncollectible accounts | 230 | 211 |
| Amortization of investment tax credits | (16) | (18) |
| Deferred income tax expense | 649 | 352 |
| Gain on sale of investments | (129) | (191) |
| Extraordinary item, net of tax | 10 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 574 | 408 |
| Other current assets | (386) | (508) |
| Accounts payable and accrued liabilities | (2,468) | (581) |
| Other - net | (1,032) | (657) |
| Total adjustments | 96 | 1,127 |
| Net Cash Provided by Operating Activities | 1,950 | 2,949 |
| Investing Activities | | |
| Construction and capital expenditures | (2,807) | (2,349) |
| Investments in affiliates | 1,158 | (103) |
| Proceeds from short-term investments | 510 | - |
| Dispositions | 244 | 215 |
| Acquisitions | - | (3,663) |
| Other | 1 | 1 |
| Net Cash Used in Investing Activities | (894) | (5,899) |
| Financing Activities | | |
| Net change in short-term borrowings with original maturities of three months or less | (84) | 4,867 |
| Issuance of long-term debt | 2,238 | - |
| Repayment of long-term debt | (980) | (526) |
| Early extinguishment of corporation-obligated mandatorily redeemable preferred securities of subsidiary trusts | (500) | - |
| Purchase of treasury shares | (1,065) | (284) |
| Issuance of treasury shares | 90 | 60 |
| Dividends paid | (859) | (834) |
| Other | 12 | 29 |
| Net Cash Provided by (Used in) Financing Activities | (1,148) | 3,312 |
| Net increase (decrease) in cash and cash equivalents | (92) | 362 |
| Cash and cash equivalents beginning of year | 643 | 495 |
| Cash and Cash Equivalents End of Period | \$ 551 | \$ 857 |

SBC Communications Inc.**Supplementary Financial and Operating Data (Unaudited)**

(Dollars in Millions, Except per Share Amounts)

| | Three Months Ended | | |
|--|--------------------|-----------|----------|
| | 3/31/01 | 3/31/00 | % Change |
| Capital Expenditures | \$ 2,807 | \$ 2,349 | 19.5% |
| Dividends Declared Per Share ¹ | \$0.25625 | \$0.25375 | 1.0% |
| End of Period Common Shares Outstanding (000,000) | 3,369 | 3,400 | -0.9% |
| Pretax interest coverage ^{1,4} | 6.8 | 9.4 | -27.3% |
| Net cash flow to average total debt ² | 11.8% | 11.2% | 62 BP |
| Funds from operations interest coverage ³ | 9.7 | 11.1 | -13.0% |
| Debt Ratio | 46.9% | 46.7% | 21 BP |
| Total Employees | 216,180 | 208,380 | 3.7% |
| Access Lines Served (000) | 61,254 | 61,154 | 0.2% |
| Residence | 36,568 | 37,517 | -2.5% |
| Business | 24,061 | 22,907 | 5.0% |
| Other | 625 | 730 | -14.4% |
| Voice Grade Equivalents (000) ⁴ | 107,058 | 91,505 | 17.0% |
| Residence | 42,279 | 38,722 | 9.2% |
| Business | 64,154 | 52,053 | 23.2% |
| Other | 625 | 730 | -14.4% |
| Resold Lines (000) | 1,597 | 1,562 | 2.2% |
| Access Minutes of Use (000,000) | 69,388 | 69,475 | -0.1% |
| Cingular Wireless (Pro Forma)⁵ | | | |
| Wireless Voice Customers (000) | 20,535 | 17,294 | 18.7% |
| Net Adds (000) | 854 | 695 | 22.9% |
| POPs (000,000) | 192 | 192 | - |
| SBC International⁶ | | | |
| Total customers of SBC International's affiliates | | | |
| Access Lines (000) ⁵ | 38,239 | 36,611 | 4.4% |
| Wireless (000): | | | |
| Subscribers | 34,855 | 22,423 | 55.4% |
| Net Adds | 4,111 | 3,842 | 7.0% |
| Total Revenues | \$ 10,720 | \$ 9,065 | 18.3% |
| SBC's proportionate interest of SBC International's affiliates | | | |
| Access Lines (000) ⁵ | 6,644 | 6,595 | 0.7% |
| Wireless (000): | | | |
| Subscribers | 4,401 | 2,917 | 50.9% |
| Net Adds | 383 | 350 | 9.4% |
| Total Revenues | \$ 1,795 | \$ 1,464 | 22.6% |

¹Normalized pretax income and interest, excluding the 60 percent proportional consolidation of Cingular interest.²Net cash flow equals funds from operations (cash flow from operations before working capital changes) less dividends paid.³The sum of funds from operations and cash paid for interest on debt divided by interest incurred on debt.⁴Prior year amounts restated to conform with current period reporting methodology.⁵Amounts represent the 100% pro forma results of Cingular Wireless as if Cingular had existed for all periods presented.⁶Amounts for 2001 and 2000 include our investments accounted for under the equity method in 2001. Amounts for 2000 have been restated to exclude investments no longer accounted for under the equity method.

SBC Investor Briefing

SBC Investor Briefing is published by the Investor Relations staff of SBC Communications Inc.

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