

SBC Consumer Strategies: Innovation, Differentiation, Growth

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CIBC World Markets
Annual Communications & Technology Conference

May 11, 2005

Cautionary Language Concerning Forward-Looking Statements

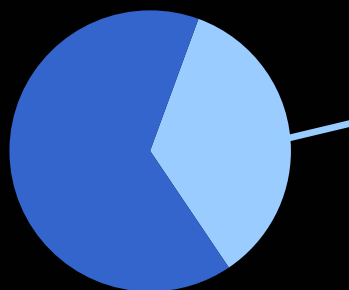
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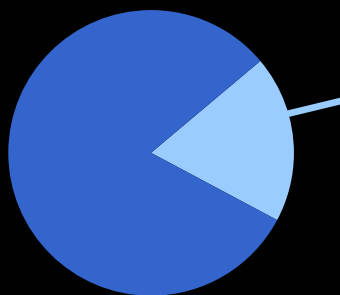


SBC's Consumer Business In Profile

Wireline Consumer as a Percent of SBC's Total Revenues – 1Q05 Data



35% of reported revenues



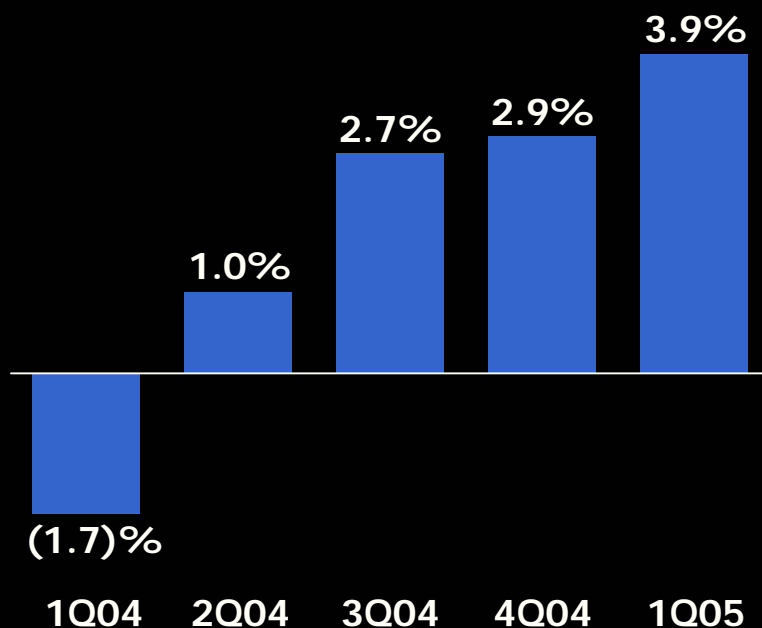
19% of total revenues including 100% of Cingular Wireless

- > **\$14 billion** annual revenue stream
- > **27 million** retail lines
- > **4.6 million** consumer DSL Internet lines, represents 20 percent penetration of consumer primary lines



SBC Consumer: A Growing Business

Consumer Wireline Revenue Year-Over-Year Growth



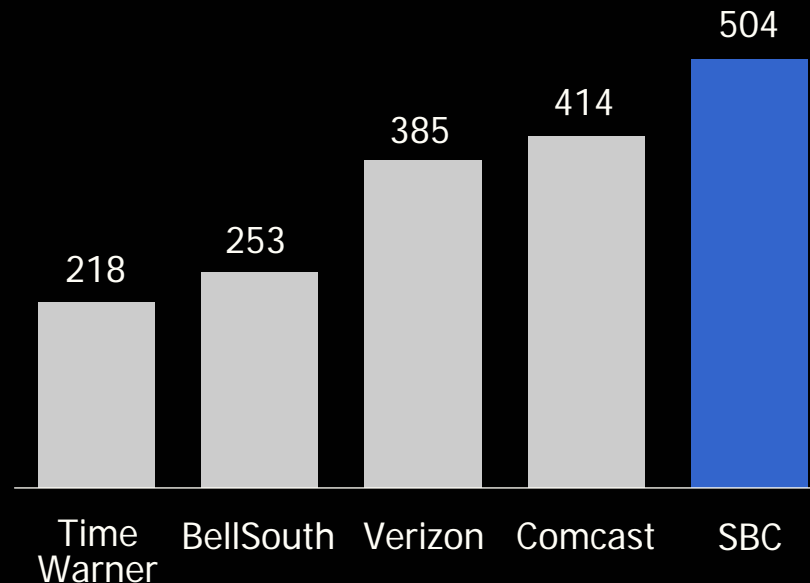
- > **Four consecutive quarters** of revenue growth
- > **Consumer ARPU up 8.4 percent** in 1Q05, fourth straight quarter with year-over-year growth above 8 percent
- > Consumer primary access lines **increased by 16,000** in 1Q, first positive growth quarter in five years



Growth Drivers

Industry Leading DSL Growth

1Q05 Net Gain in Total DSL
and High-Speed Data Lines
(in thousands)



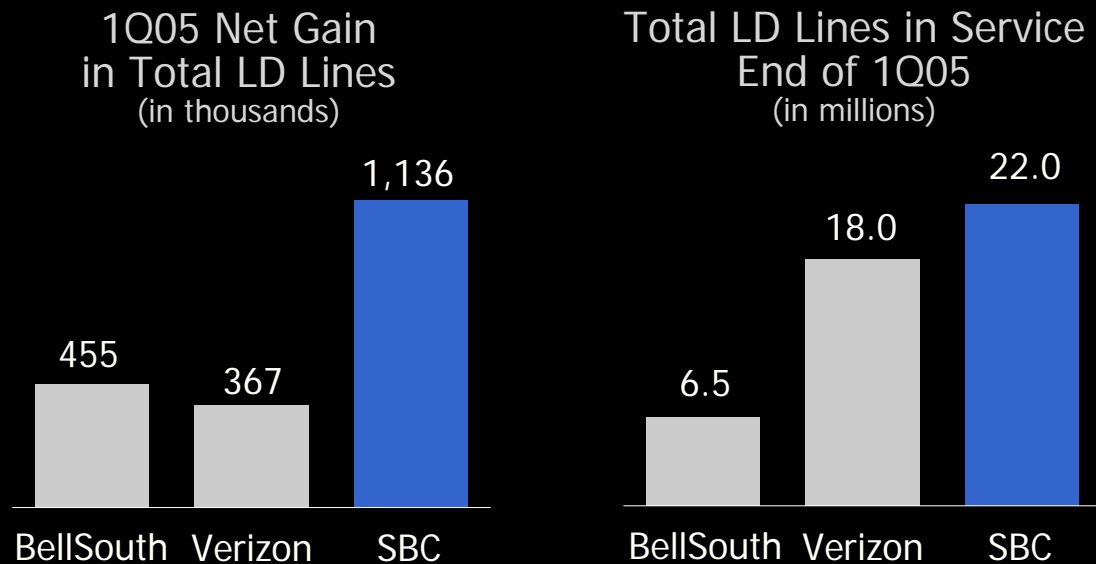
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Growth Drivers

Industry Leading DSL Growth

Industry Leading LD Growth



BellSouth reports customer totals. SBC and Verizon report lines.



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Growth Drivers

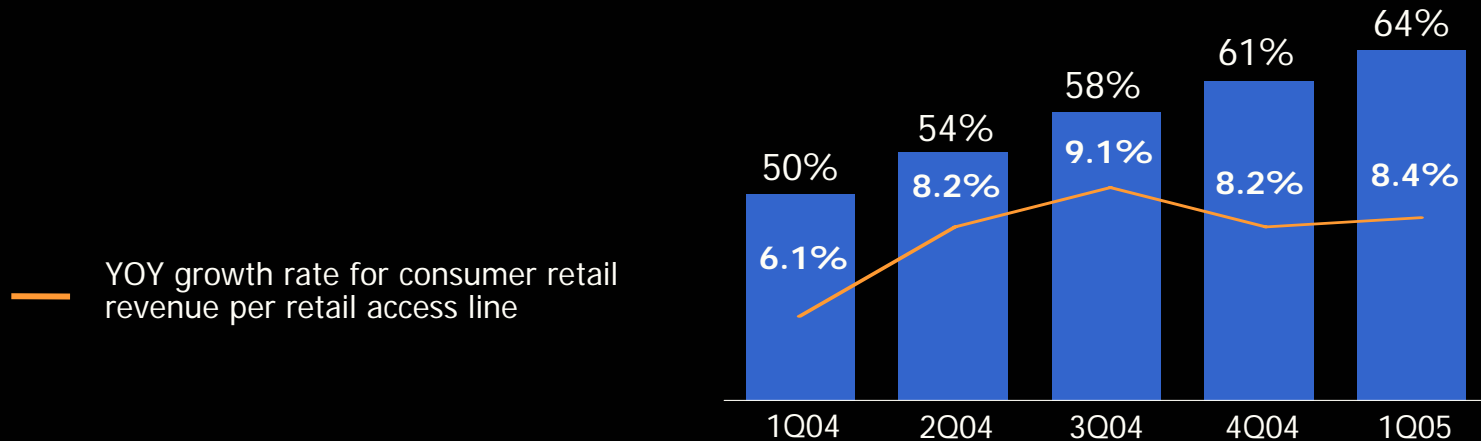
Industry Leading DSL Growth

Industry Leading LD Growth

Strong Bundle Penetration

Key-Product Bundles

Percent of consumers with bundles that include one or more key services – LD, DSL, satellite and jointly billed wireless



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**In the emerging consumer space,
customer-centered integration is key
to competitive differentiation.**

**SBC has the resources, the focus
and the strategies to lead in this evolution.**



Rapid Evolution in the Consumer Space

- > **Consumer have a wider array of choices driven by advances in technology**
 - Wireless
 - Broadband
 - IP-based services

Wireless and broadband are the major drivers of growth.



Wireless/Wireline Integration

Outstanding Wireless Capabilities

- > More than 50 million subscribers
- > Coverage of all top 100 markets
- > 100 percent EDGE enabled with UMTS/HSDPA build under way

Opportunities and Initiatives

- > Unified messaging
- > FastForward
- > handsets that enable seamless transition between networks

Wireless integration is a key differentiator versus cable.



Keys to Differentiation

Resources

Broad voice and
broadband network
coverage today

Project Lightspeed
to provide IP-based
high-speed data and
video capabilities

Cingular Wireless'
nationwide network,
moving to IP-based
UMTS/HSDPA



Keys to Differentiation

Resources

Broad voice and broadband network coverage today

Project Lightspeed to provide IP-based high-speed data and video capabilities

Cingular Wireless' nationwide network, moving to IP-based UMTS/HSDPA

Marketing Strategies

1. Integrate wireless and wireline, with a focus on wireless and broadband
2. Develop **lifestyle bundles** with personalized applications based on customer segmentation
3. Create and be an advocate of **the digital lifestyle**
4. Deliver **added value in the home**



Deliver Added Value In the Home: Re-energize Voice

New in-home CPE with wireless-like applications

- > Devices that are attractive on their own and have the potential to differentiate service

Personalized applications

- > Ringtones and ring-back tones
- > Enhanced Privacy manager
- > Network-based directory
- > Celebrity voice mail greetings

Evolve cordless base station to serve as a communications hub

- > Helps integrate communications with music and entertainment



Deliver Added Value In the Home: Home Zone

Planned Features

- > Combines SBC Yahoo! DSL with SBC | DISH Network service.
- > Lets SBC local phone customers view **caller ID** and call-log information on their TV screens
- > **Downloads movies** on demand, accesses photos and personal music collections
- > Enables **remote online programming**



Project Lightspeed

∴ creating a new universe ∴

 **U**niverseSM of communications and entertainment services



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Lightspeed Powers Communications and Entertainment Services

- 20-25 Mbps
- IP-driven

IP Voice

High Speed Internet Access

IPTV



Lightspeed-Enabled Video: IPTV

Future Capabilities

- > Functionality for four high-quality TV streams including HDTV
- > Whole-home DVR capabilities
- > Multiple camera angles
- > Photo and music sharing



Innovative Marketing and Promotion

Goal: establish SBC as the preferred source for integrated, digital communications and entertainment

Initiatives:

- **Movie sponsorships:** *Fantastic Four, The Incredibles*
- **Music:** Austin City Limits, Eric Clapton, Crossroads Guitar Festival with performances made exclusively available online to SBC Yahoo! DSL members through a live Webcast
- **Events:** Hispanic concert series, Latino film festival, Asian concert series



SBC Blue Room and HOW2 Tour



- > **Online backstage pass**
New and exclusive music content each week— performances, videos, onstage footage, in-studio interviews and more
- > **Blue Room How2 Tour**
Reaching 140-markets with interactive demos
 - Watch music videos over an SBC Yahoo! DSL connection
 - Download songs from Yahoo! Music to cell phones and MP3 players
 - Practice snapping and e-mailing photos and accessing Web content with a Cingular Wireless phone



SBC Consumer: Major Areas of Opportunity



**Customer-
Centered
Bundling, Service
Integration**

**Project
Lightspeed**

**Wireline/
Wireless
Integration**



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