SBC Investor Update

Merrill Lynch Global Communications Investor Conference

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Randall Stephenson
Senior Executive Vice President
and Chief Financial Officer

Cautionary Language Concerning Forward-Looking Statements

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Areas To Cover

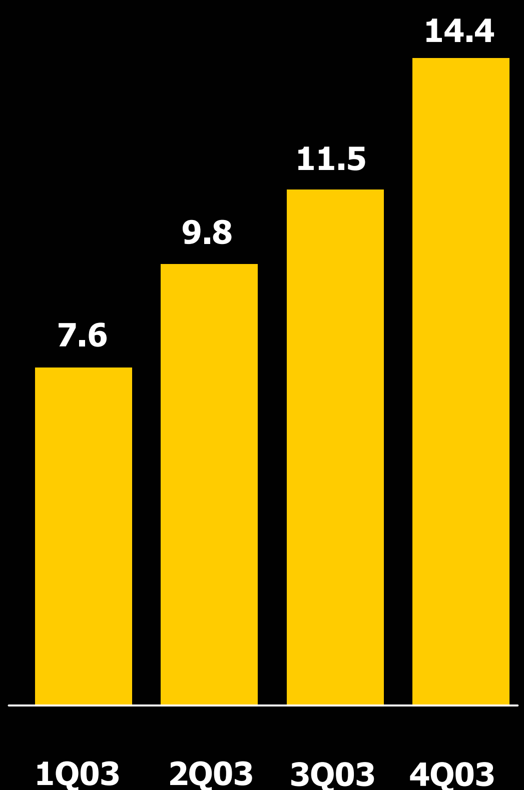
1. **Strategy and Execution**
   - Consumer
   - Business
2. **Value Returned to Owners**
3. **Cingular Wireless + AT&T Wireless**

Strategy and Execution

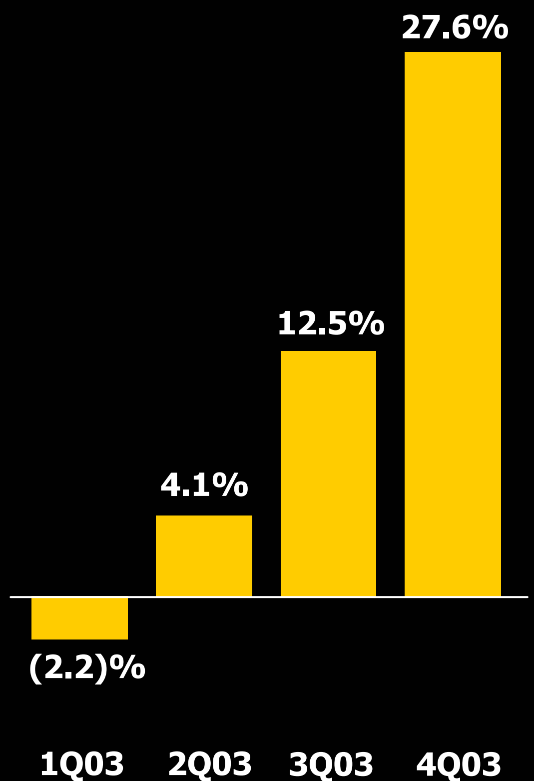
Growth Products	• Ended 2003 with record net adds in both LD and DSL
Bundles	• More than doubled penetration in 2003 • Launched SBC/DISH Network in March
Access Lines	• Over past three quarters, significant improvement in retail line losses
Wireless Growth	• Strong, high-quality subscriber growth • 93% GSM coverage of POPs
Large Business	• Expanded Global Accounts organization • New capabilities

Record Long Distance Growth

In-Service InterLATA PICs
(in millions)

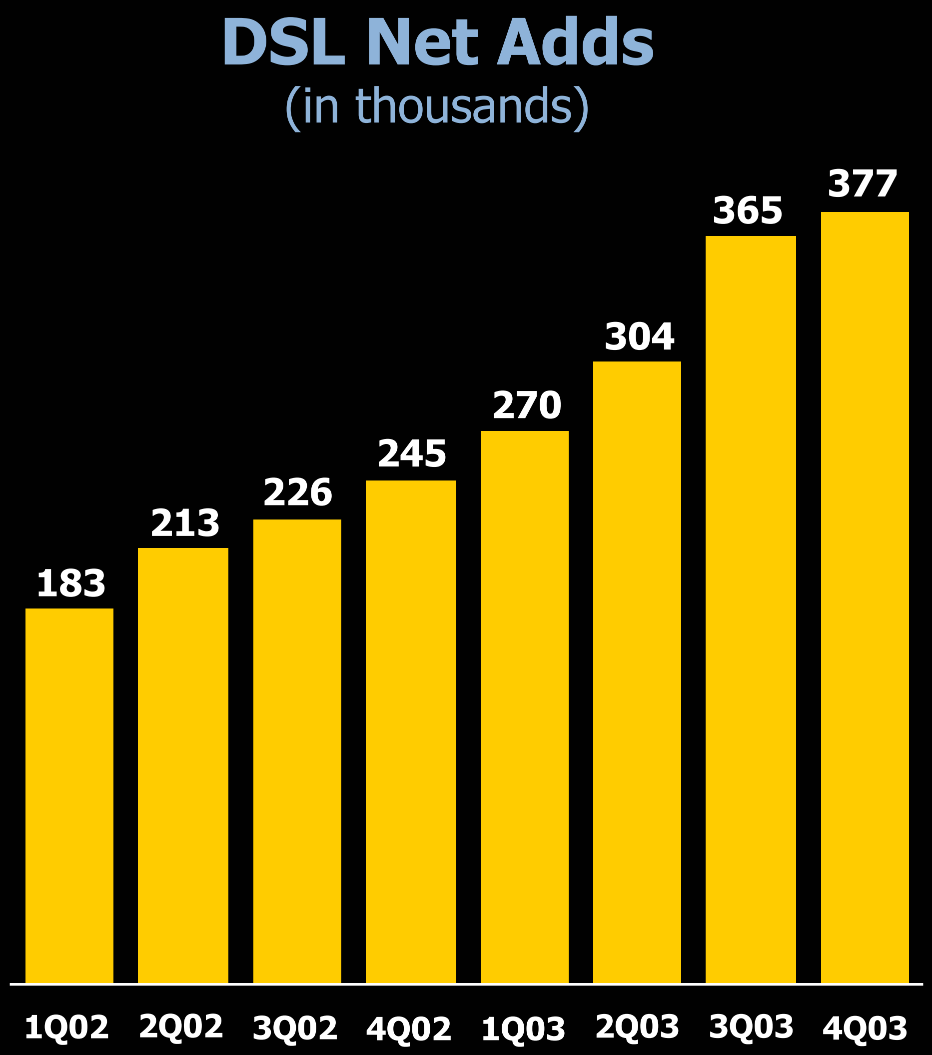


YOY Growth Total LD Revenue



- **2.9 million** added in 4Q03
- **8.3 million** LD lines added in 2003, nearly 60% of LD base

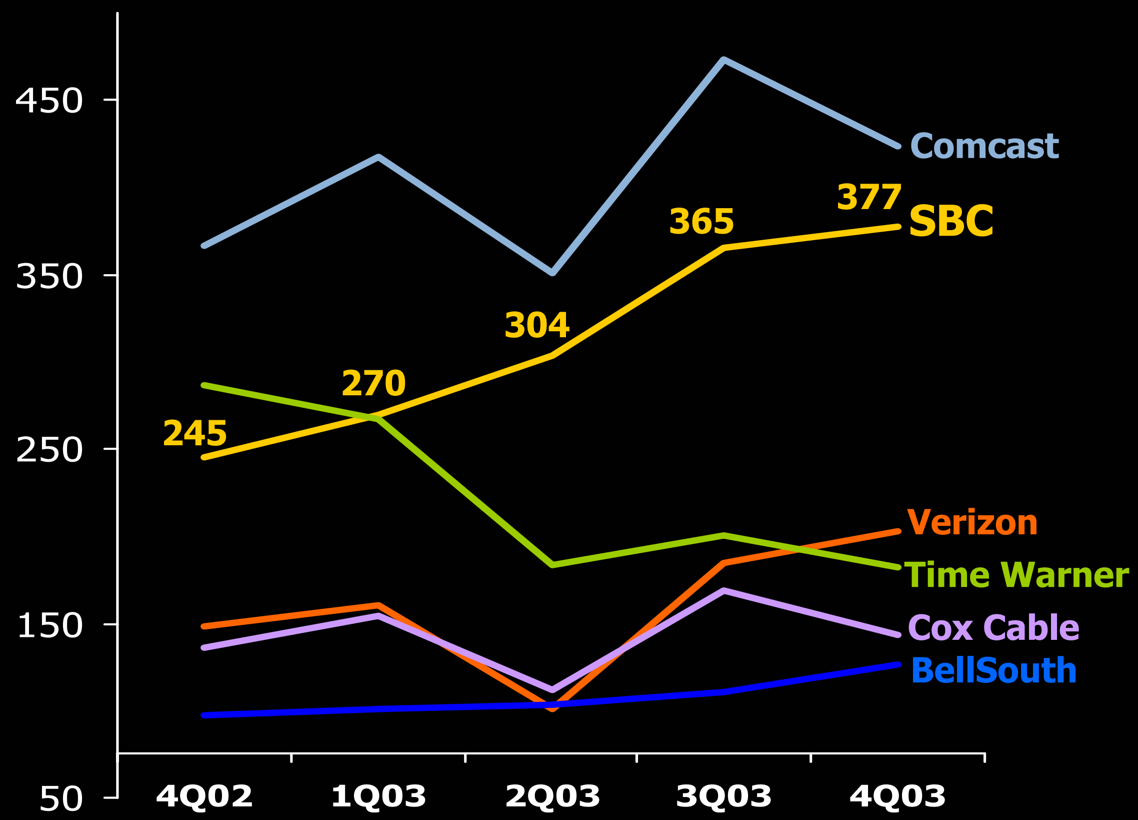
Strong Growth in DSL



- **8 consecutive quarters** of sequential improvement in net adds
- **3.5 million DLS lines** in service, >40% ahead of closest RBOC peer

Broadband Growth Trends

Broadband Net Adds
(in thousands)

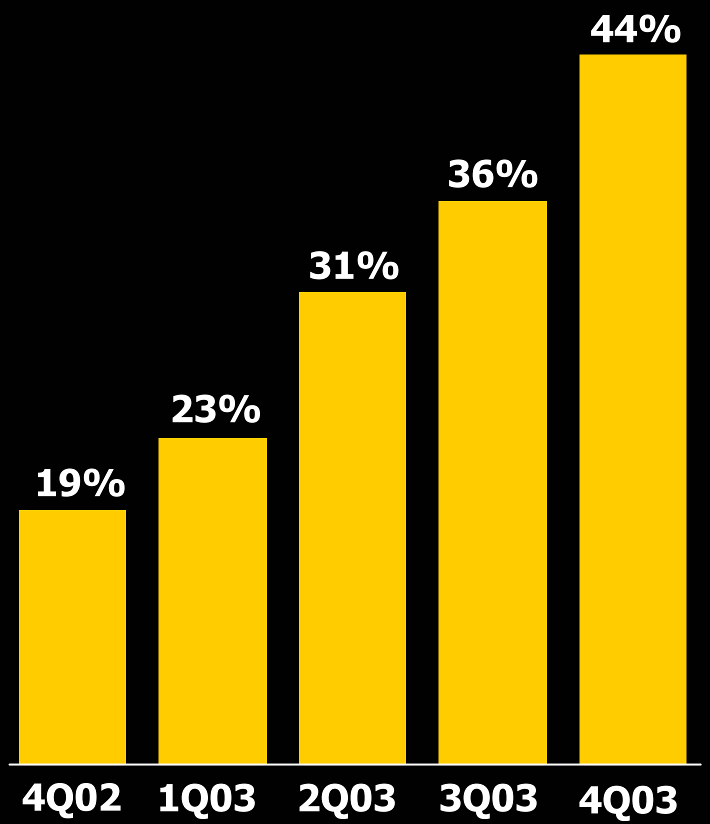


DSL/Cable Modem Lines in Service
End of 2003, in Millions

SBC	3.5
Verizon	2.5
BellSouth	1.5
Comcast	5.3
Time Warner	3.3
Cox	2.0

Growth In Consumer Bundles

Key Product Bundles
customers with bundles including one or more key services – LD, DSL and wireless

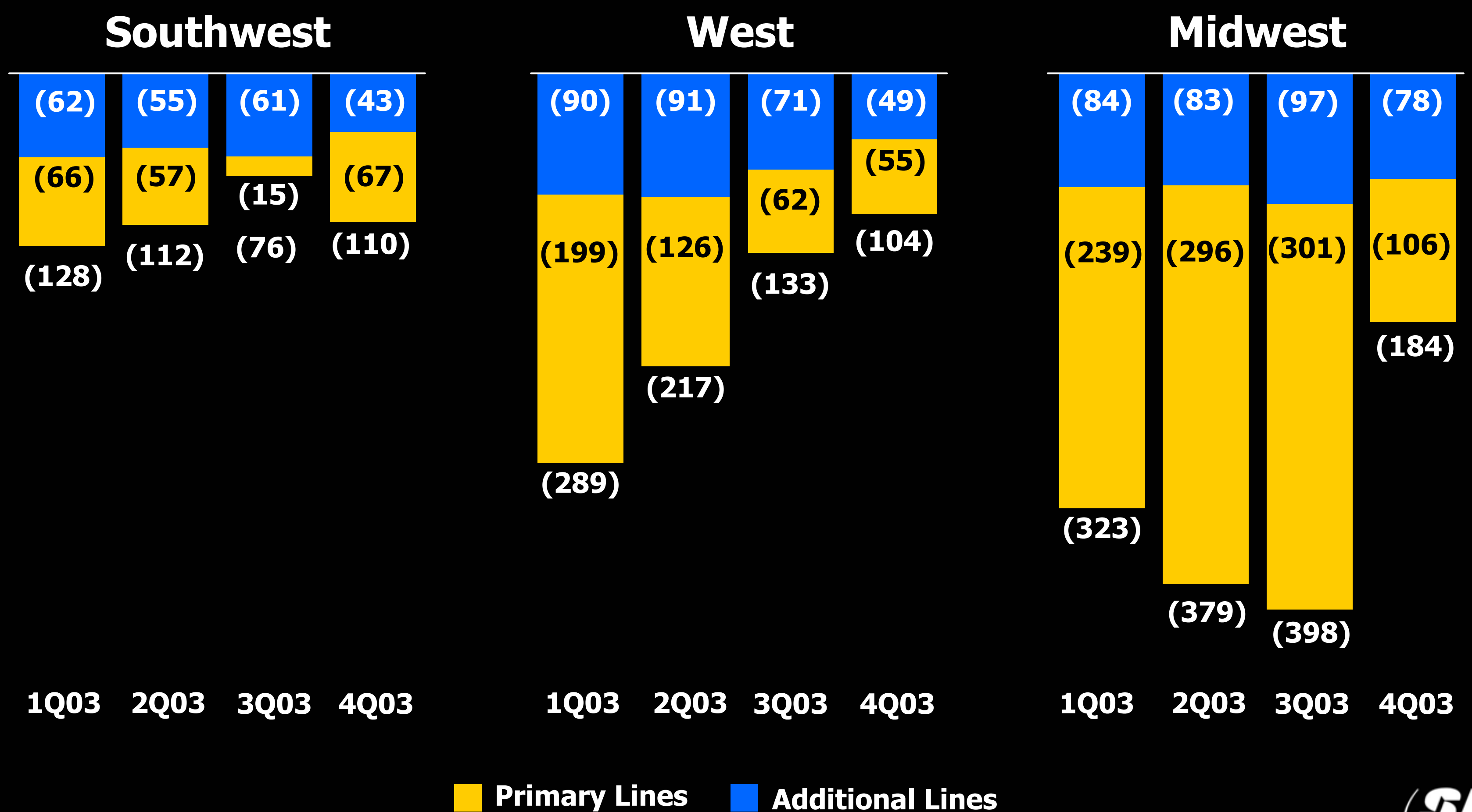


Bundles …

- drive customer **retention**
- improve **ARPU**
- help stabilize **access lines**

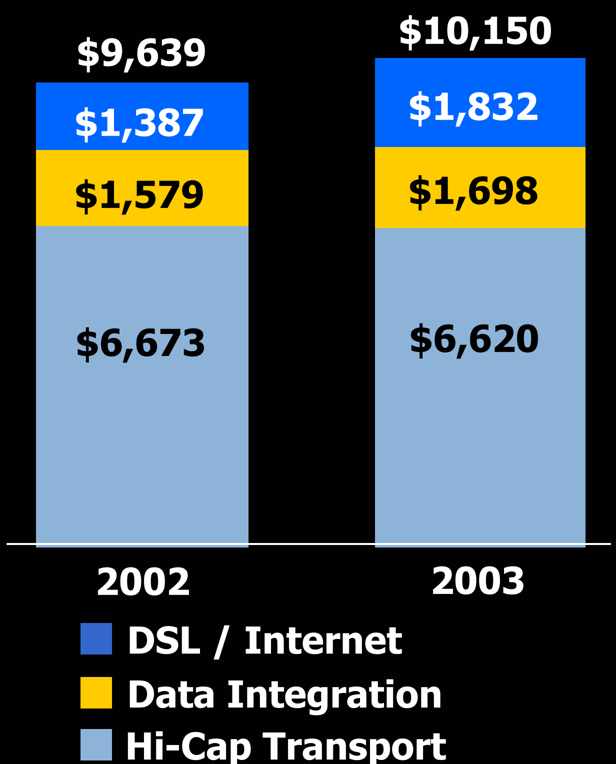
Consumer Access Line Trends

Net Change By Quarter
(in thousands)

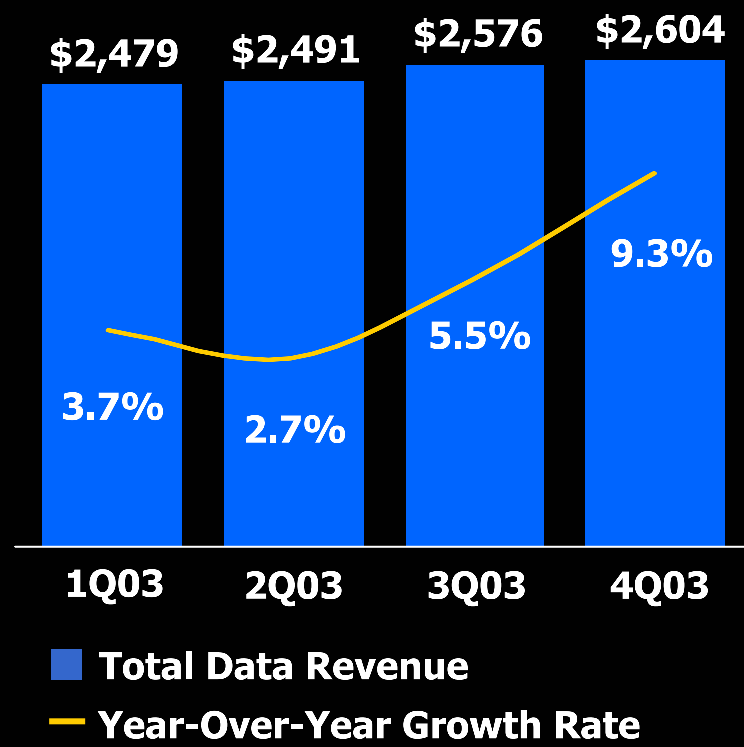


Stable Data Revenues

$10 Billion Annual Data Revenue Stream
(dollars in millions)

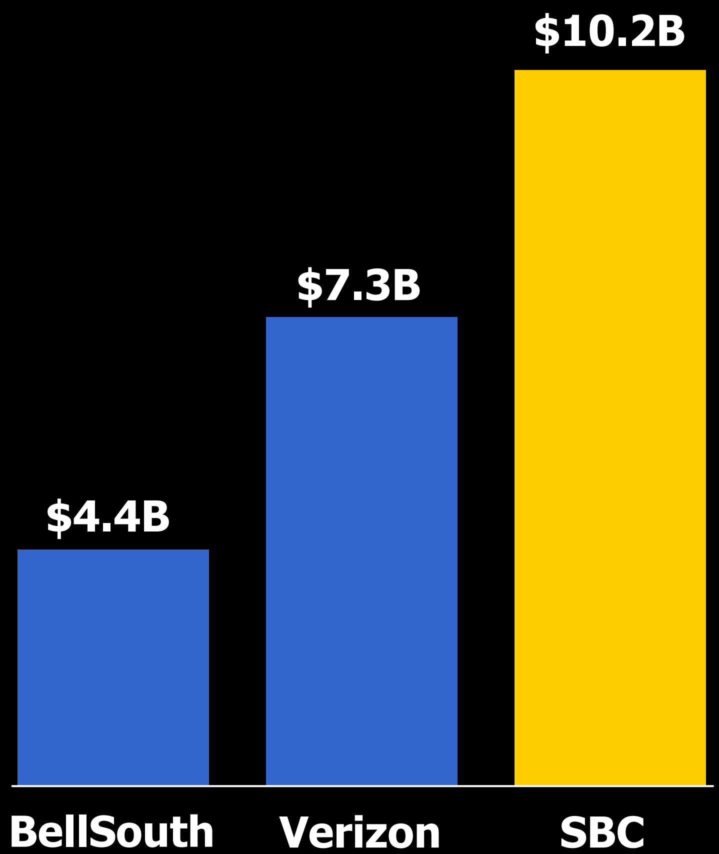


Quarterly Data Revenues & YOY Quarterly Growth Rates
(dollars in millions)



Leader in Data Revenues

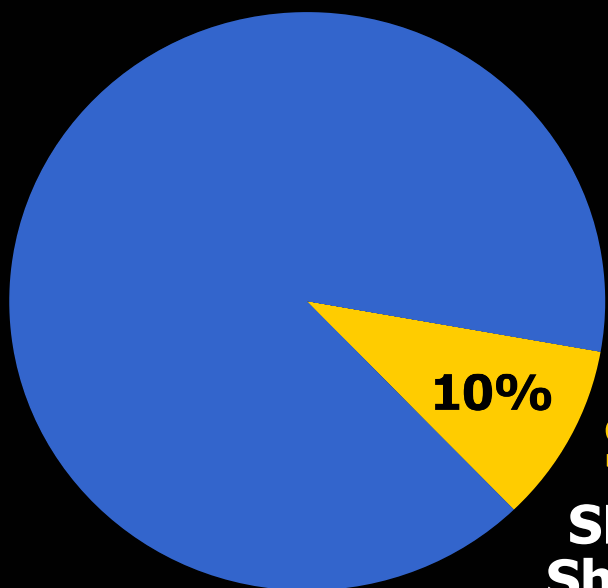
2003 Total Data Revenues
(dollars in billions)



- **Largest** data revenue stream among RBOCs
- **40% higher** than closest peer

Large-Business Opportunity

$140B
Business Telecom Market
(voice and data)



$14B
SBC Market Share Today

SBC's immediate large business target – companies with more than 50% of their locations in footprint – represent **$34 billion annual revenue opportunity**

$140 billion includes voice, data, managed services, CPE, and wireless in small, medium and GEM business within the SBC footprint plus nationwide enterprise businesses. Source: Bain & Co.

Expanded Capabilities

Network

National ATM and Frame backbone, IP network

Products

Broad range of flexible bandwidth solutions

Managed Services

Sales

Single Global Accounts sales team

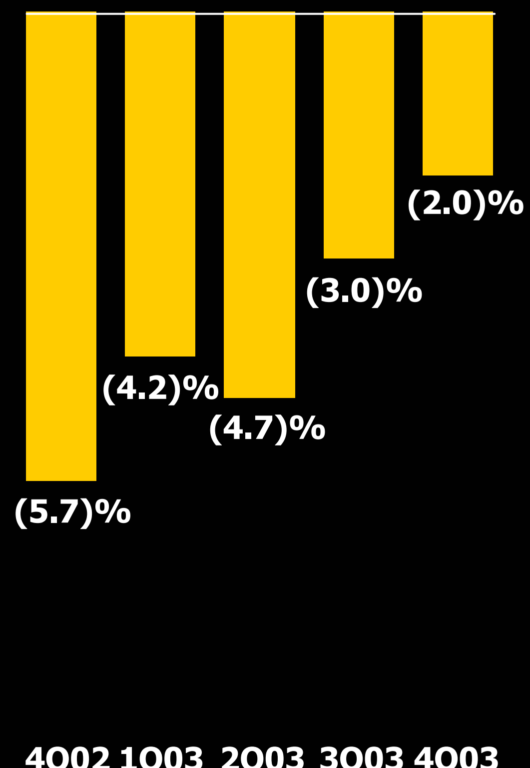
Service Capabilities

4,300 advanced data certifications

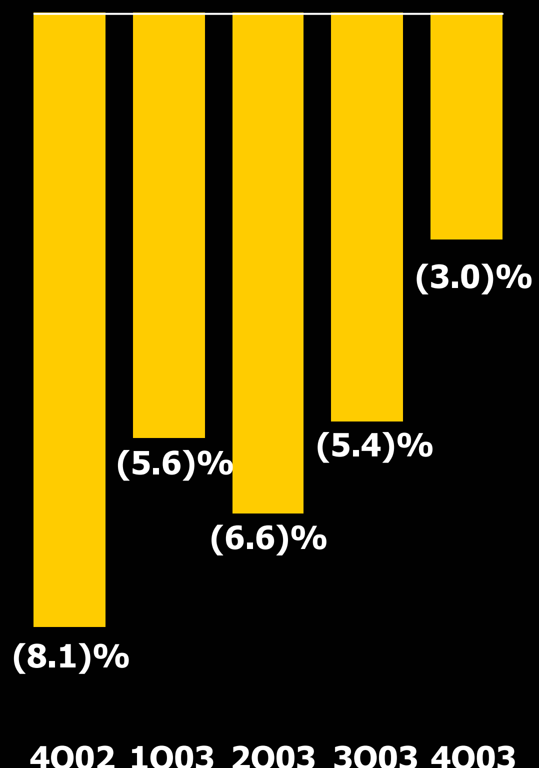
Single contracts, service level agreements

Revenue Trends

SBC YOY Revenue Growth[1]



Wireline YOY Revenue Growth

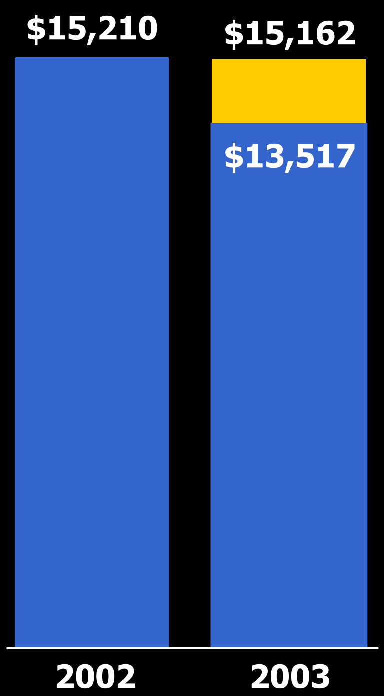


- **Two consecutive quarters** with improved YOY growth rates
- 4Q declines **less than half** year-earlier levels

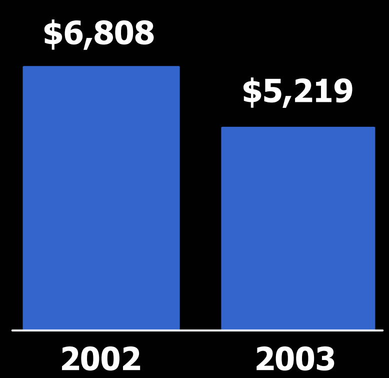
[1] Includes 60% of Cingular. Directory on an amortized basis.

Stable Cash Flow

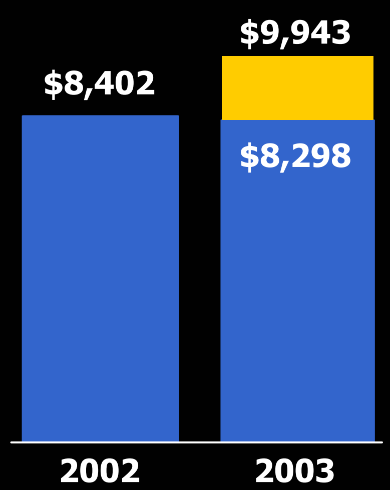
Cash from Operations
(dollars in millions)



Capital Expenditures
(dollars in millions)



Free Cash Flow Before Dividends[1]
(dollars in millions)

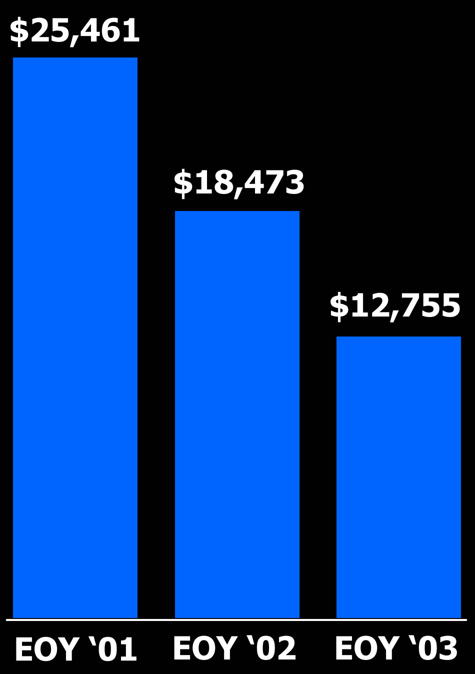


Includes $1,645 million pension and retiree medical pre-funding.

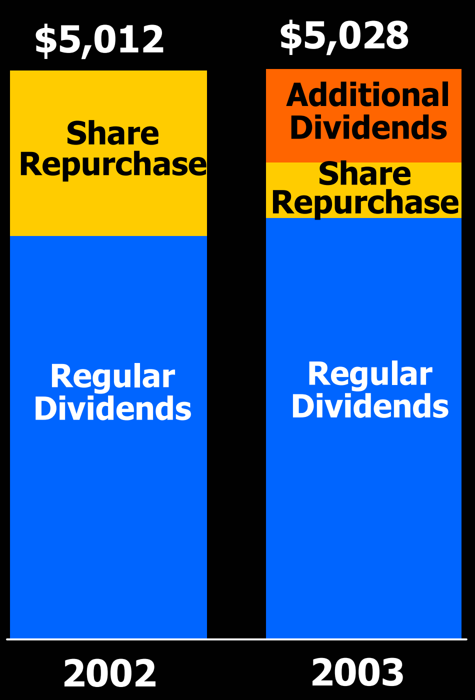
[1] Free cash flow is cash from operations less capital expenditures.

Cash Returned To Owners

Debt Net of Cash & Short-term Investments
(dollars in millions)



Value Returned to Shareowners
(dollars in millions)



- Net debt **cut in half over** past two years
- Quarterly **dividend increase** of 10.6% in December, total of 15.7% for the year

Cingular Wireless Transaction

Transaction Overview

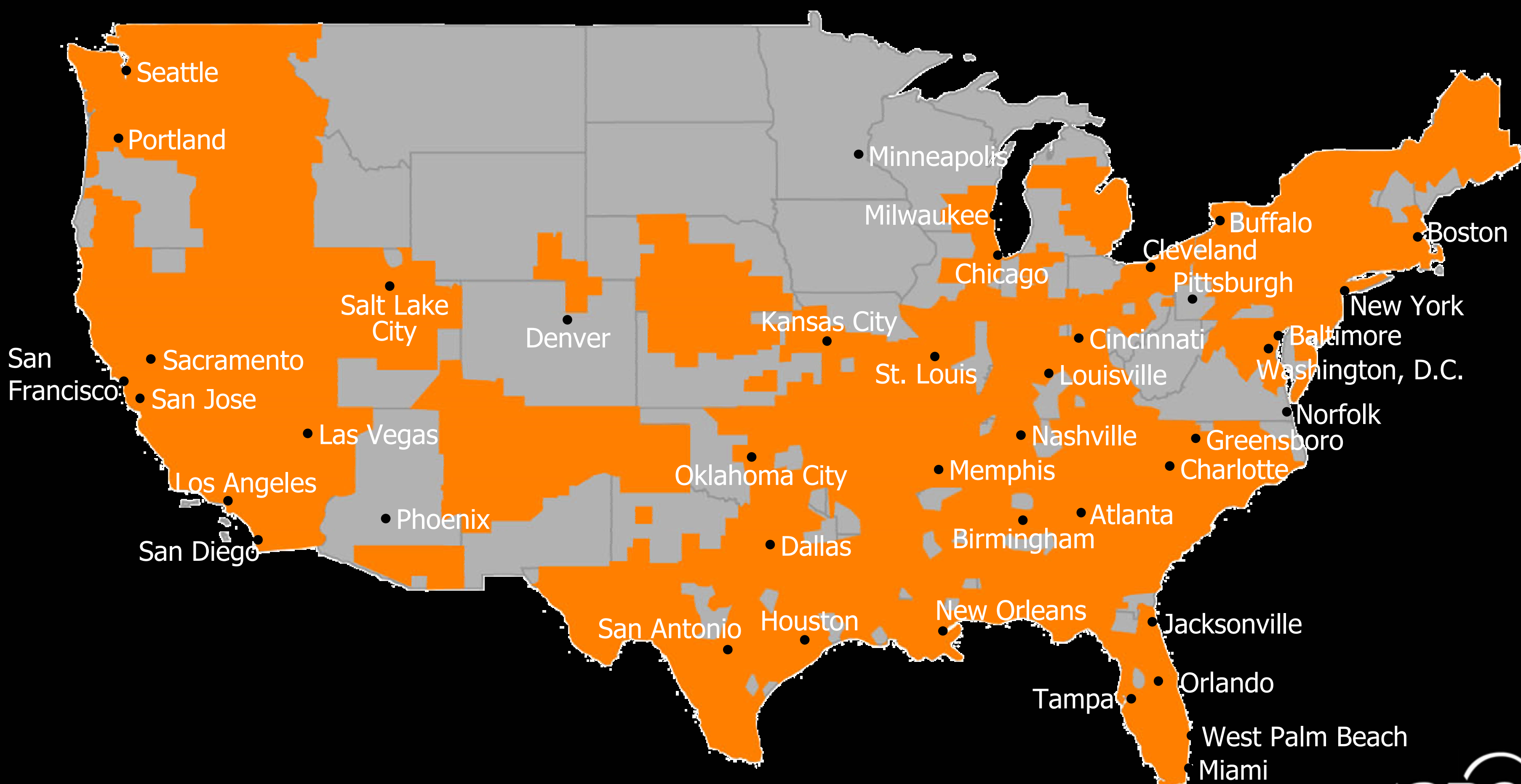
- Industry-leading **scale**
- Broad **market coverage**
- **Spectrum** to accommodate growth and next-generation services
- Sizable **synergy opportunities** and a proven track record of execution to improve operations
- The **financial strength** to fund the transaction while maintaining strong credit profile

Outstanding Strategic Fit

- **Network Technology**
  - Both networks GSM/GPRS
  - Used by > 70% of world's digital wireless market
  - Robust platform for emerging wireless data services
- **Customer Base**
  - Cingular has broad consumer base
  - AT&T Wireless has extensive business customer base, providing service to 90% of Fortune 100, 70% of Fortune 500
- **Coverage**
  - Strong national footprint
  - Spectrum to drive growth and support next-generation services

Cingular Today

Licensed Spectrum



Cingular + AT&T Wireless

Includes AT&T Wireless Affiliates

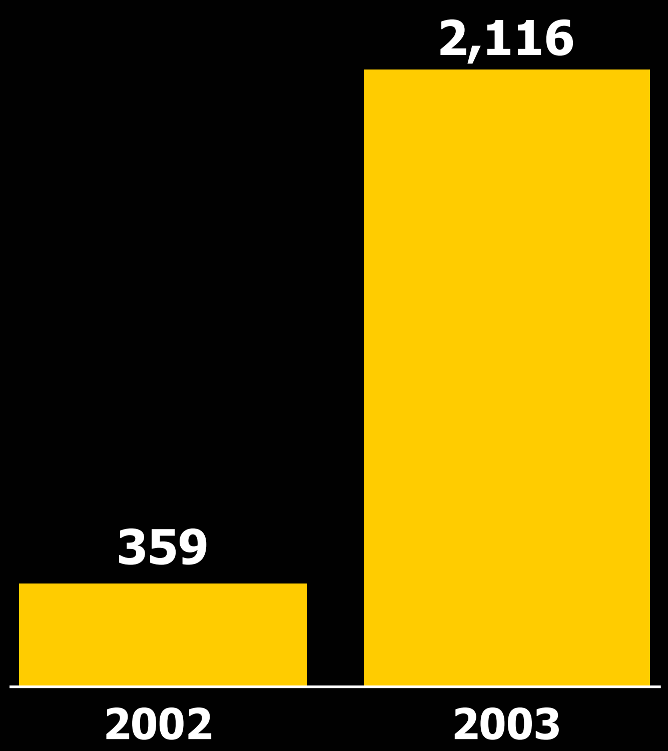
- **46 million subscribers**
- **>$32 billion revenues in 2003**

Proven Ability to Execute:
Integrating, Improving Operations

Billing Platforms	• Consolidated 11 separate operations into two scalable systems
Customer Care	• Consolidated 60 separate call centers into 20
Distribution	• Replaced decentralized operations with single, state-of-the-art facility
Purchasing	• Significant savings from handset, network and general services contracts
Branding	• One of industry's most successful new-brand launches

Proven Ability to Execute:
Reignited Subscriber Growth

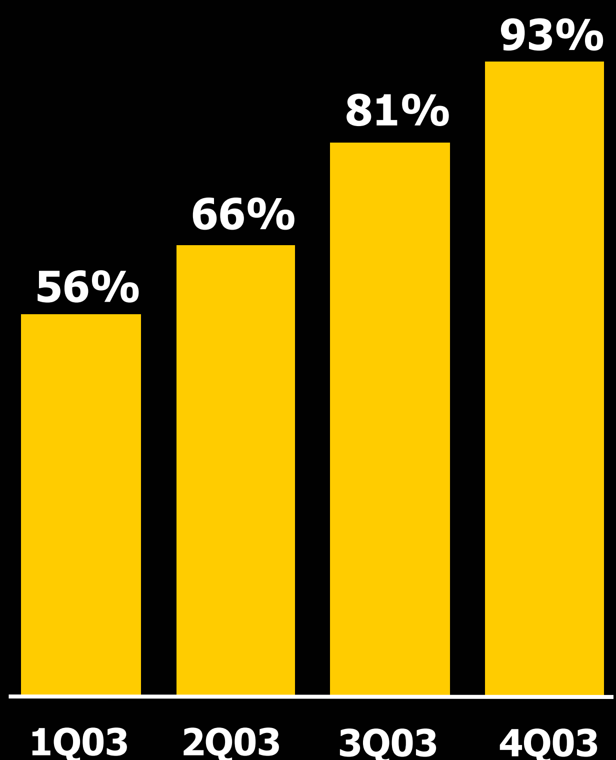
Cingular Wireless Net Adds
(in thousands)



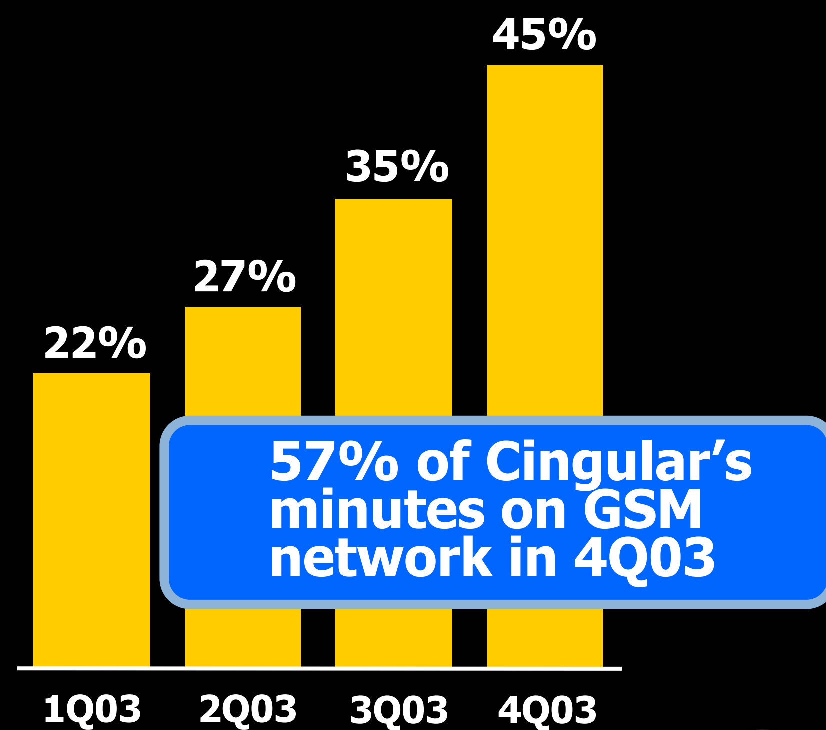
- Cingular's **best-ever gross add totals** in the third and fourth quarter of 2003
- High-quality subscribers with **nearly 90% of the base** post-paid

Proven Ability to Execute:
Very Successful GSM Conversion

Percent of Cingular Operational POPs with GSM/GPRS Coverage

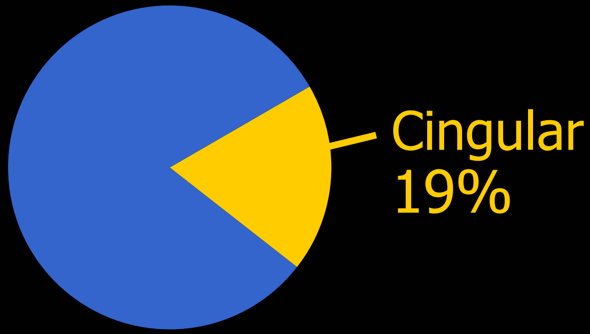


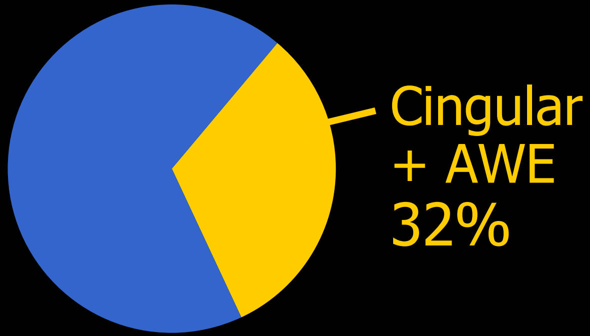
Percent of Subscribers With GSM-Capable Handsets



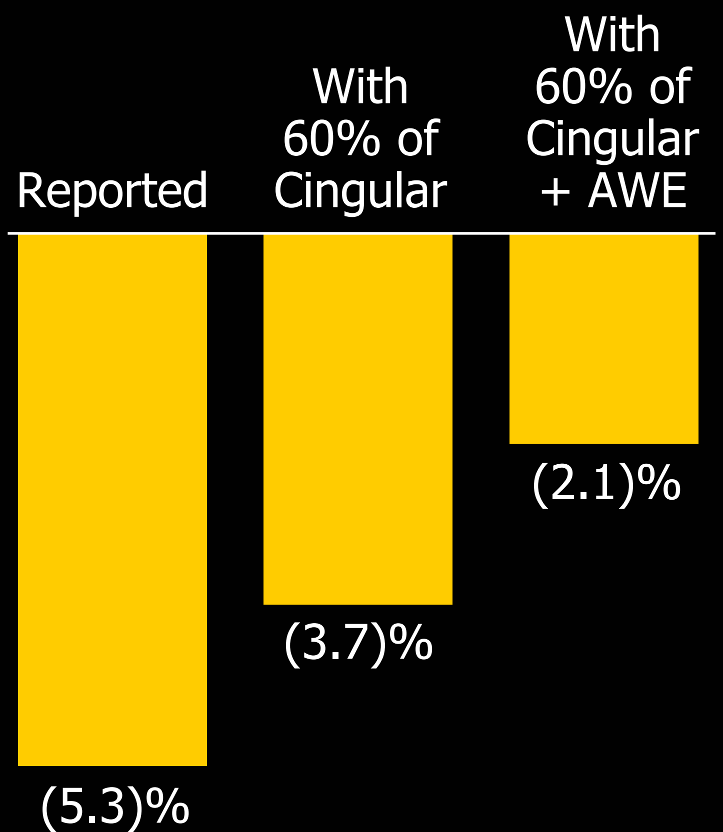
SBC Impacts:
Drives Revenue Growth

Wireless as percent of SBC 2003 total revenues on proportionate basis …





SBC 2003 revenue growth rates …



Summary: Expected Financial Impacts

- Improves **revenue mix,** drives growth
- Impact on earnings expected to turn **positive in 2007**
- **Modest financing** requirements
- Will maintain **very strong credit metrics,** should have no impact on credit ratings

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