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EX PARTE OR LATE FILED

February 19, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

NOTICE OF EX PARTE PRESENTATION

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
Portals II Building
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *In the Matter of Applications for Transfer of Control to SBC Communications Inc. of Licenses and Authorizations Held by Ameritech Corporation, CC Docket No. 98-141*

Dear Ms. Salas:

Please be advised that yesterday, Randall Stephenson, Jon Klug, Wayne Watts and the undersigned met with Thomas Krattenmaker, William Rogerson, Patrick DeGraba, William Dever, Audrey Wright, Johnson Garrett, Jennifer Fabian, and Elizabeth Nightingale in connection with the above-referenced pending applications. The purpose of the meeting was to discuss financial segment reporting and examine several segments of SBC's operations. Attachment A served as a basis for our discussion. The other attachments are provided at the request of staff.

In accordance with the Commission's rules governing ex parte presentations, an original and one copy of this notification are provided herewith. Please call me directly should you have any questions.

Respectfully submitted,

Todd F. Silbergeld

c: Mr. Krattenmaker
Dr. Rogerson
Mr. DeGraba
Mr. Dever
Ms. Wright
Mr. Garrett
Ms. Fabian
Ms. Nightingale

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ATTACHMENT A

SBC-AMERITECH MERGER

EX PARTE PRESENTATION

February 18, 1999

SBC Communications Inc.

SBC FINANCIAL OVERVIEW
REPORTING SEGMENTS

SBC REPORTS FOUR DISTINCT SEGMENTS

- WIRELINE
- WIRELESS
- DIRECTORY
- OTHER

SBC

SBC FINANCIAL OVERVIEW

SBC REPORTING SEGMENTS

WIRELINE

Services

- POTS
- Vertical Services
- Data Transport
- Wholesale
- Access
- LD
- Internet Access
- Equipment Sales

Primary Entities: Southwestern Bell, Pacific Bell, Nevada Bell, SNET

SBC Communications Inc

Consolidated Statements of Income - Normalized

(Dollars in Millions)

Wireline	Twelve Months Ended 12/31/95	12/31/96	12/31/97	12/31/98
Operating Revenues				
Local service	$ 8,763	$ 9,513	$ 10,434	$ 11,154
Network access	5,883	6,205	6,378	6,529
Long-distance service	2,368	2,523	2,351	2,353
Other	1,709	1,678	1,763	2,175
Total Operating Revenue	18,723	19,919	20,926	22,210
Operating Expenses				
Operations and support	10,864	11,464	12,292	12,711
EBITDA *	7,859	8,455	8,635	9,499
Depreciation and amortization	3,908	3,954	4,095	4,265
Total Operating Expenses	14,772	15,418	16,386	16,976
Operating Income	3,951	4,501	4,540	5,234
Interest Expense	822	766	837	861
Equity in Income of Affiliates	-	(5)	(5)	-
Other Income (Expense) - Net	33	59	38	(9)
Income Before Income Taxes	$ 3,161	$ 3,789	$ 3,736	$ 4,364

Supplemental Data

Segment Assets	$ 28,572	$ 30,233	$ 32,018	$ 33,427
Investment in Equity Method Investees	$ 53	$ 29	$ 34	$ 34
Capital Additions	$ 3,867	$ 4,713	$ 5,274	$ 5,178

* EBITDA - Earnings before Interest, Taxes, Depreciation & Amortization.

Statements may not add due to rounding.

SBC FINANCIAL OVERVIEW
SBC REPORTING SEGMENTS
WIRELESS

Services

- Traditional Cellular
  - Local
  - LD
  - Roaming
- PCS
  - Local
  - LD
  - Roaming

Primary Entities: Southwestern Bell Wireless, Southwestern Bell Mobile Systems, "Cellular One" (out-of-region holdings), SNET Mobile, Pacific Bell Mobile Services

SBC Communications Inc

Consolidated Statements of Income - Normalized
(Dollars in Millions)

Wireless	Twelve Months Ended 12/31/95	12/31/96	12/31/97	12/31/98
Operating Revenues				
Subscriber Revenues	$ 2,421	$ 2,907	$ 3,375	$ 3,784
Other	226	230	322	402
Total Operating Revenue	2,647	3,137	3,697	4,185
Operating Expenses				
Operations and support	1,665	1,994	2,610	2,786
EBITDA *	982	1,142	1,087	1,399
Depreciation and amortization	342	396	491	583
Total Operating Expenses	2,007	2,390	3,101	3,370
Operating Income	640	746	596	816
Interest Expense	114	107	152	179
Equity in Income of Affiliates	15	22	9	25
Other Income (Expense) - Net	(92)	(95)	(98)	(172)
Income Before Income Taxes	$ 450	$ 567	$ 355	$ 490

Supplemental Data

	12/31/95	12/31/96	12/31/97	12/31/98
Segment Assets	$ 6,231	$ 7,350	$ 7,071	$ 7,161
Investment in Equity Method Investees	$ 37	$ 225	$ 229	$ 232
Capital Additions	$ 747	$ 1,006	$ 776	$ 644

* EBITDA - Earnings before Interest, Taxes, Depreciation & Amortization.
Statements may not add due to rounding.

SBC FINANCIAL OVERVIEW

SBC OPERATING SEGMENTS

DIRECTORY

Services

- Yellow Pages Advertising
- White Pages Listings
- Internet Directory

Primary Entities: Southwestern Bell Yellow Pages, Pacific Bell Directory, SNET Yellow Pages, SBC Interactive Media

SBC

SBC Communications Inc

Consolidated Statements of Income - Normalized
(Dollars in Millions)

Directory	Twelve Months Ended 12/31/95	12/31/96	12/31/97	12/31/98
Operating Revenues	$ 1,855	$ 2,145	$ 2,287	$ 2,393
Operating Expenses				
Operations and support	1,065	1,160	1,230	1,227
EBITDA *	790	986	1,057	1,166
Depreciation and amortization	35	28	28	31
Total Operating Expenses	1,100	1,188	1,258	1,258
Operating Income	755	958	1,028	1,135
Interest Expense	10	5	4	11
Other Income (Expense) - Net	17	17	19	7
Income Before Income Taxes	$ 762	$ 970	$ 1,043	$ 1,131

Supplemental Data

	12/31/95	12/31/96	12/31/97	12/31/98
Segment Assets	$ 1,265	$ 1,468	$ 1,227	$ 1,385
Investment in Equity Method Investees	$ -	$ -	$ -	$ -
Capital Additions	$ 30	$ 32	$ 38	$ 30

* EBITDA - Earnings before Interest, Taxes, Depreciation & Amortization.
Statements may not add due to rounding.

SBC FINANCIAL OVERVIEW
SBC OPERATING SEGMENTS

OTHER

- International Investments
- Cable is NOT included in this segment
  - Cable numbers do not meet materiality threshold required for separate disclosure
  - Cable is a reconciling item in the SBC segment reporting footnotes

SBC

SBC Communications Inc

Consolidated Statements of Income - Normalized

(Dollars in Millions)

Other	**Twelve Months Ended 12/31/95**	**12/31/96**	**12/31/97**	**12/31/98**
Operating Revenues	$ 52	$ 43	$ 57	$ 85
Operating Expenses	100	47	93	153
Operating Income	(48)	(4)	(36)	(67)
Interest Expense	54	34	25	37
Equity in Income of Affiliates	105	226	205	211
Other Income (Expense) - Net	181	(10)	47	163
Income Before Income Taxes	$ 184	$ 178	$ 192	$ 269

Supplemental Data

Segment Assets	$ 2,062	$ 2,369	$ 3,398	$ 2,854
Investment in Equity Method Investees	$ 1,576	$ 1,727	$ 2,503	$ 2,274
Capital Additions	$ -	$ -	$ -	$ 11

Statements may not add due to rounding.

SBC FINANCIAL OVERVIEW

SBC OPERATING SEGMENTS

OTHER MATERIAL TRANSACTIONS

- **Telmex/Telkom South Africa**
  - **Each Investment Required the Commitment of Less than 100 Employees**
  - **Investing in Incumbent Local Exchange Carrier with existing Network, Customer Base, Brandname and Revenue**
  - **Exclusive Franchise Continued for Specified Period**

SBC

SBC FINANCIAL OVERVIEW

SBC OPERATING SEGMENTS

OTHER MATERIAL TRANSACTIONS

- **National-Local Strategy**
  - **Requires 8,000 employees,**
  - **No Brandname, Customer Base, Network, or Revenue out-of-region**
  - **One of Many Competitors**
- **Many Large Competitors Have Substantial Advantages over SBC in Entering these Markets**

SBC FINANCIAL OVERVIEW

SBC OPERATING SEGMENTS

OTHER MATERIAL TRANSACTIONS

- **Telmex Investment (Accretive from Day 1)**
- **Telkom South Africa (Accretive from Day 1)**
- **Pacific Telesis (2 years Dilution)**
- **SNET (No Dilution)**
- **Ameritech (2 Years Dilution)**

SBC Communications Inc.

News Release

For More Information

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SBC COMMUNICATIONS ANNOUNCES PLANS TO ACQUIRE COMCAST CELLULAR CORPORATION

Combined Service Region to Cover Most of the Travel Corridor from Boston to Washington/Baltimore, Creating Formidable Competitor for Customers Throughout the Northeast

SAN ANTONIO (January 20, 1999) – SBC Communications Inc. (NYSE:SBC) today announced it has agreed to acquire Comcast Cellular Corporation, the wireless subsidiary of Comcast Corporation, in a transaction valued at $1.674 billion.

The transaction will bring together existing SBC wireless service areas in Washington/ Baltimore, Connecticut, Rhode Island, Massachusetts and Upstate New York, with Comcast Cellular's properties in the Philadelphia area, New Jersey and Delaware. The SBC properties in the Northeast operate under the Cellular One brand name, with the exception of the SNET Wireless brand offered in Connecticut. Comcast offers wireless service under the Comcast Metrophone name in Pennsylvania, and as Comcast Cellular One in Delaware and New Jersey, covering an area with a total population of about 8.4 million.

In addition, under the terms of the agreement, SBC will purchase Comcast's wireless systems in Aurora-Elgin and Joliet, Illinois, as well as 12 PCS licenses in Pennsylvania acquired by Comcast in 1997. SBC for several years has been operating the Illinois properties it is purchasing under a previous agreement between the companies.

"The agreement improves SBC's ability to compete and to offer customers one company for wireless value, quality and coverage throughout the Northeast," said Edward E. Whitacre, Jr., chairman and chief executive officer of SBC Communications.

- more -

"This acquisition will have real and lasting value for SBC's customers and shareholders, and is consistent with our strategy of obtaining wireless licenses that expand our current service areas," Whitacre said.

With the Comcast wireless properties, and once SBC's pending merger with Ameritech is complete, SBC will offer wireless service in nine of the top 10 U.S. markets. The Comcast agreement will expand SBC service to Philadelphia, the 4th largest market.

Under the terms of the agreement, SBC will pay $400 million in cash and assume Comcast Cellular's current debt of $1.274 billion. The transaction will be accounted for through the "purchase accounting" method.

The companies hope to complete the merger by the third quarter of 1999, pending regulatory approvals.

"The companies have compatible service areas and technologies, which will make the transition smooth," said Stan Sigman, president and chief executive officer of SBC Wireless. "We expect to continue growing these properties as we integrate them into SBC's wireless network."

SBC wireless companies – Southwestern Bell Wireless, Pacific Bell Wireless, Nevada Bell Wireless, SNET Wireless, as well as Cellular One in Chicago and Central Illinois, Massachusetts, Rhode Island, Upstate New York and Washington/Baltimore – currently provide analog and digital wireless service to more than 6.5 million customers, making the company the third largest wireless provider in the United States. In addition, SBC has pending a merger with Ameritech Corporation, which serves 3 million wireless customers in Illinois, Michigan, Ohio, Indiana, Missouri, Wisconsin and Hawaii.

Comcast's wireless properties serve more than 800,000 customers with analog and digital wireless service, and the company has a market penetration rate of more than 10 percent.

"We look forward to working with Comcast's outstanding employees and are committed to providing customers with the products, services and coverage they want and need," Sigman said.

SBC Communications was advised on the transaction by Salomon Smith Barney.

SBC Communications Inc. *(www.sbc.com) is a global leader in the telecommunications industry, with more than 36.9 million access lines and 6.5 million wireless customers across the United States, as well as investments in telecommunications businesses in 10 other countries. Under the* ***Southwestern Bell, Pacific Bell, SNET, Nevada Bell*** *and* ***Cellular One*** *brands, SBC, through its subsidiaries, offers a wide range of innovative services. SBC offers local and long-distance telephone service, wireless communications, data communications, paging, Internet access, and messaging, as well as telecommunications equipment, and directory advertising and publishing. SBC has approximately 129,000 employees and its annual revenues rank it in the top 50 among Fortune 500 companies.*

\# # #

FACT SHEET
SBC AND COMCAST
Wireless Operations Overview

	SBC Wireless	Comcast Cellular
PROFILE	**SBC Wireless** is a subsidiary of **SBC Communications, Inc.**, one of the nation's leading telecommunications providers. SBC Wireless properties in the Northeast operate under the Cellular One brand, with the exception of the SNET Wireless brand offered in Connecticut.	**Comcast Cellular Corporation** is the wireless subsidiary of **Comcast Corporation**, one of the nation's leading cable television providers.
TOP 10 U.S. MARKETS	Boston Baltimore/Washington, D.C. Chicago Dallas/Ft. Worth Detroit* Houston Los Angeles San Francisco/Oakland/San Jose	Philadelphia
TOTAL CUSTOMERS	More than 6.5 million nationwide	More than 800,000
POTENTIAL SUBSCRIBERS (POPs)	120 million nationwide* (SBC and Ameritech combined)	8.4 million

BRAND NAMES AND MAJOR MARKETS	*Cellular One* Washington, D.C./Baltimore, Massachusetts, Upstate New York, Chicago and Central Illinois, Rhode Island *SNET Wireless* Connecticut *Ameritech** Markets in Illinois, Michigan, Ohio, Indiana, Missouri, Wisconsin, Hawaii *Southwestern Bell Wireless* Markets in Missouri, Kansas, Oklahoma, Arkansas, Texas *Pacific Bell Wireless* California *Nevada Bell Wireless* Nevada	*Comcast Metrophone* Philadelphia and Eastern Pennsylvania *Comcast Cellular One* Delaware and New Jersey
PRODUCTS AND SERVICES	Analog and digital wireless service, paging, long-distance	Analog and digital wireless service, paging, long-distance
COMPATIBLE TECHNOLOGY (NORTHEAST)	TDMA IS-136	TDMA IS-136
COMPATIBLE BANDS (NORTHEAST)	A-band cellular throughout all Cellular One brand areas	A-band

* Pending approval of SBC's merger with Ameritech

ATTACHMENT B

Investor Briefing

January 21, 1999 *No. 206*

SBC Delivers 19.3 Percent Earnings Growth in 1998; Grows Fourth-Quarter Earnings 20 Percent

Core businesses, data, vertical services drive results

SBC Communications Inc. today announced strong 1998 performance, reporting 20.0 percent earnings growth for the fourth quarter and 19.3 percent earnings growth for the year on a normalized basis.

Fourth-quarter earnings per diluted share increased 19.6 percent on a normalized basis to $0.55 from $0.46 a share during the same period last year. Full-year earnings per diluted share on a normalized basis increased 18.2 percent to $2.08 compared with $1.76 during 1997. The annual and fourth-quarter normalized results are before an extraordinary loss and one-time items, and an accounting change in the first quarter of 1998.

Solid core business performance and strong growth in data and vertical services drove SBC's fourth-quarter and 1998 results.

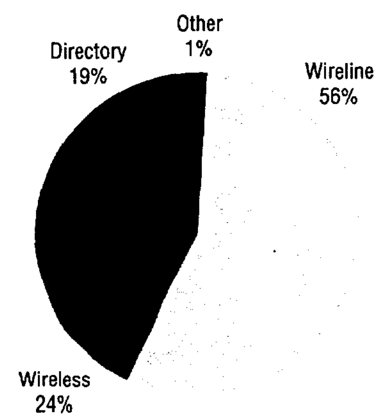
Fourth-quarter revenues increased 7.9 percent to $7.7 billion, while full-year 1998 revenues also increased 7.9 percent to $28.8 billion from $26.7 billion last year.

"We had an exceptional year as we grew our businesses while taking steps to shape our future as an integrated, full-service global competitor that will continue to build value for our shareowners," said Edward E. Whitacre Jr., chairman and chief executive officer.

"We successfully completed our merger with Southern New England Telecommunications (SNET) last fall. Going forward, our planned merger with Ameritech will allow us to execute our national-local strategy to provide customers wherever they are with competitive telecommunications services," Whitacre said. "We also announced the country's largest rollout of Asymmetrical Digital Subscriber Line (ADSL) – a high-speed Internet access service – at affordable prices to enable us to seize opportunities in the rapidly growing data market."

Fourth-quarter 1998 earnings increased 20.0 percent to $1.1 billion before an extraordinary loss of $60 million, or $0.03 per diluted share, for the early retirement of debt and one-time costs totaling $433 million

Percent of Total SBC Fourth-Quarter Revenue Growth



($268 million after tax, or $0.14 per diluted share) related to initiatives from the merger with SNET. These results compare with fourth-quarter 1997 earnings of $903 million, which exclude gains related to the sale of Bellcore and costs related to strategic initiatives resulting from the merger integration process with Pacific Telesis Group.

Full-year 1998 earnings increased 19.3 percent to $4.1 billion, before a directory accounting change at SNET, one-time gains resulting from the sale of certain non-core businesses, and the fourth-quarter extraordinary loss and one-time costs related to the SNET merger. Earnings in 1997 were $3.5 billion, before the impact of several regulatory rulings, settlement gains at Pacific Telesis Group associated with lump-sum pension payments, the Bellcore gains, and the costs for strategic initiatives resulting from the Pacific Telesis merger.

On a reported basis, SBC's 1998 income before the extraordinary loss and accounting change was $4.1 billion, or $2.05 per diluted share, compared with $1.7 billion in 1997. Net income in 1998 was $4.0 billion. Fourth-quarter 1998 income before the extraordinary loss was $816 million, or $0.41 per diluted share, compared with $642 million during the fourth quarter of 1997. Fourth-quarter 1998 net income was $756 million.

SBC's reported earnings are provided on page 10 of this *Investor Briefing*, and normalized results are on page 11. To assist in identifying the differences between reported and normalized results for 1998 and 1997, including the fourth quarters of both years, a reconciliation is provided on page 9 of this *Investor Briefing*.

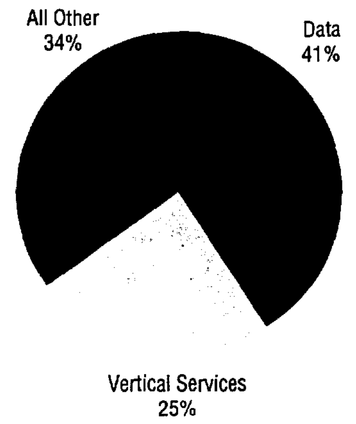
Operating Revenues

For the quarter, operating revenues increased 8 percent on a normalized basis to $7.7 billion, compared with $7.1 billion in the fourth quarter of 1997.

SBC's wireline segment, which grew 6 percent from the prior-year quarter, contributed more than 56 percent of SBC's overall revenue growth during the fourth quarter. Demand for data-related products and services and continuing penetration of vertical features were the main drivers of the wireline segment's growth. These two growth engines produced 66 percent of the wireline segment's revenue growth.

Both the wireless and directory segments grew 13.5 percent and contributed approximately

Percent of Wireline Fourth-Quarter Revenue Growth



24 percent and 19 percent, respectively, to SBC's overall revenue growth. The strength of directory segment operating revenue growth was due to the rescheduling of several directories including – most notably – the Houston directory. Operating revenue for the wireless segment was also up on strong fourth-quarter subscriber growth.

Operations and Support Expenses

Normalized operations and support expenses for SBC increased 7.2 percent compared with the fourth quarter of 1997. Operations and support expenses for the directory segment increased 11.4 percent due to the rescheduling of directories. The wireless segment had a modest 3.3 percent increase in expenses – strong performance considering the increasing subscriber base and net additions during the quarter. For the wireline segment, operations and support expenses grew 5.3 percent. Growth in wireline expenses is driven by net increases in Internet Service Provider (ISP) reciprocal compensation and the costs of ongoing SBC/Pacific Telesis merger integration efforts.

Discussion of Business Segments' Financial Performance

Wireline Segment

The wireline segment includes results from SBC's telephone company operations including Southwestern Bell, Pacific Bell, Southern New England Telephone, and Nevada Bell. The segment also includes long distance, internet and voice messaging.

Fourth-quarter wireline segment revenue grew to $5.6 billion, an increase of 6 percent compared with the year-ago quarter.

Landline Local Service

Fourth-quarter landline local service revenue, which comprises half of the wireline segment's revenue, increased 4.5 percent compared with the same period last year. Several issues impact the growth in landline local service revenue, including California rate rebalancing, reductions in cellular interconnection rates, retroactive adjustments to payphone compensation rates, and a shift of certain newly deregulated revenues to the "Other" segment. Adjusting for all of these issues, landline local service revenue growth was 5.3 percent.

California rate rebalancing, the result of a September 1998 California Public Utilities Commission order, is a positive development for SBC's California operations and customers. The rebalancing allows SBC to reduce intrastate access and long distance rates to more competitive levels without significantly reducing overall revenue. The net year-over-year impact of the rebalancing order was an increase in local service revenue of $26 million for the fourth quarter, and a net decrease in intrastate access and long distance revenue of $16 million and $22 million, respectively.

The underlying volume drivers for landline local service revenue – access lines and vertical services – were strong during the fourth quarter. The wireline segment's total domestic access lines were 37.3 million at the end of the quarter, which is a 4.3 percent increase over the last 12 months.

Residential lines grew 4.1 percent to 23.3 million over the last 12 months. Residential additional line penetration improved to 24.2 percent, including an industry-leading 32.6 percent in SBC's California markets. Business lines grew to 13.4 million, a 4.7 percent increase over the past year.

On a Voice Grade Equivalent (VGE) basis, which includes the impact of both access lines and data circuits, annual business line growth was 15.6 percent in 1998, up from 14.5 percent in the third quarter, and a 14.8 percent growth rate in 1997. VGEs provide a consistent and quantifiable measure for bridging the gap between access lines and data services, allowing SBC to more effectively determine overall growth for business operations.

Data Services

Data services revenue grew 27 percent to more than $620 million in the fourth quarter of 1998, compared with nearly $490 million in the fourth quarter of 1997. For SBC, data services mean digital communications, including transport for local and access traffic, and network integration services that make data communications possible. As a result, the impact of data revenue streams is spread across several revenue lines including Local, Network Access and Other.

Vertical Services

Vertical services revenue grew to more than $500 million in the fourth quarter, a 19 percent increase over the prior-year quarter. While Pacific Bell's vertical services growth rate is almost twice Southwestern Bell's, each showed solid growth in vertical services revenue.

Southwestern Bell contributed one-third of the year-over-year vertical services revenue growth during the fourth quarter, and Pacific Bell contributed another third; the remaining revenues were generated primarily by SBC voice messaging operations.

The rate of vertical services growth in SBC's California markets affirms a major portion of the revenue synergy opportunity from the SBC/Pacific Telesis merger. For example, SBC gained more vertical services features in California during the last five months of 1998 than it did during the last four years *combined.* Residential features per line in California reached 1.13 by year end, a 45 percent improvement over 1997. California's residential Caller ID penetration ended the fourth quarter at 13.4 percent, compared with 6.4 percent in the year-ago quarter.

SBC's Access Line Growth

(% Change over Prior Year Quarter)

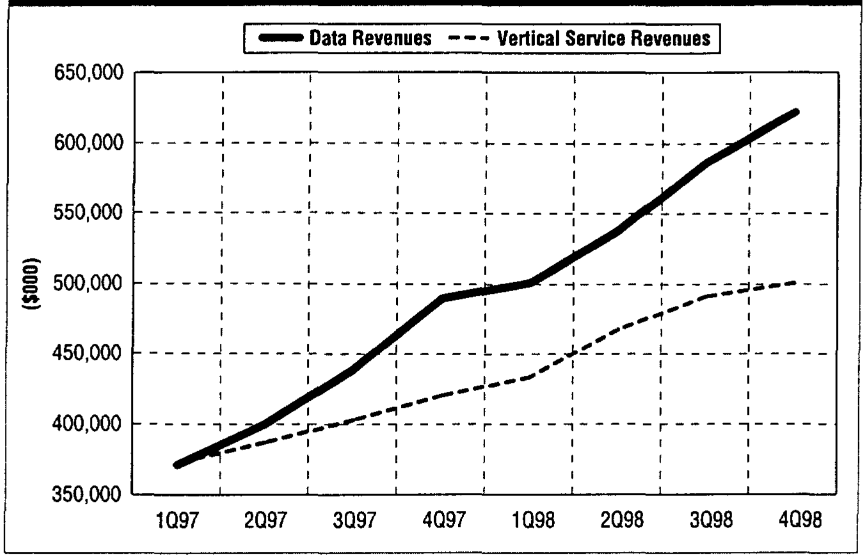
	1Q97	2Q97	3Q97	4Q97	1Q98	2Q98	3Q98	4Q98
Business Access Line Growth	7.6%	7.3%	7.1%	7.0%	6.7%	6.2%	5.4%	4.7%
Business VGE Growth	15.5%	16.1%	15.1%	14.8%	13.9%	13.9%	14.5%	15.6%
Total Access Line Growth	4.9%	4.6%	4.8%	5.1%	5.1%	5.0%	4.6%	4.3%
Total VGE Growth	8.8%	9.0%	8.9%	9.1%	8.9%	8.9%	9.2%	9.7%

Includes Southern New England Telecommunications (SNET)

VGE Factors used in Calculations:

ISDN BRI = 2
ISDN PRI = 23
DS0s = 1
DS1s = 24
DS3s = 672

Data and Vertical Service Revenues



Includes Southern New England Telecommunications (SNET)

Network Access Revenues

Network access revenues grew to $1.7 billion during the fourth quarter, up 4.5 percent over the year-ago quarter. However, adjusting for California rebalancing, growth in network access revenue would have increased 5.5 percent for the quarter. Network access accounts for about 30 percent of total wireline segment revenue.

Long Distance Revenues

Fourth-quarter long distance revenue for the wireline segment was $564 million, up approximately 1 percent from the fourth quarter of 1997. Adjusting for California rebalancing, growth in long distance revenue increases to 4.6 percent.

Other Revenue

Other Revenue was $608 million for the quarter, up 24.8 percent compared with the prior-year quarter. Many activities contributed to growth in Other Revenue including billing and collection, and the sale of equipment ranging from Caller ID display units and screen phones to local- and wide-area network equipment. Other Revenue growth also was driven by increases in Internet subscriber revenue, which doubled last year's fourth quarter, and a repricing of some of SBC's inside wire service plans. The shift of certain Local Service Revenue also contributed to Other Revenue growth.

Operations and Support Expenses

Operations and Support Expenses for the wireline segment grew 5.3 percent in the fourth quarter compared with the prior-year quarter. This expense growth was driven by demand for SBC products and services and reciprocal compensation to CLECs for ISP traffic. SBC continues to

SBC's Quarterly Data and Vertical Service Revenues

(Rounded Dollars in Millions)

	1Q97	2Q97	3Q97	4Q97	1Q98	2Q98	3Q98	4Q98
Dedicated Transport Services	$ 270	$ 290	$ 300	$ 320	$ 340	$ 360	$ 390	$ 410
Switched Transport Services	70	70	90	100	110	120	130	140
Application Services/ Datacomm Solutions	30	40	50	70	50	60	70	70
Total Data Revenues	$ 370	$ 400	$ 440	$ 490	$ 500	$ 540	$ 590	$ 620
Total Vertical Service Revenues	$ 370	$ 390	$ 400	$ 420	$ 430	$ 470	$ 490	$ 500

Includes SNET and voice messaging

expense potential reciprocal compensation liabilities, although in many cases the company is not making payment to the CLEC.

CLEC ISP reciprocal compensation was $60 million during the fourth quarter, more than triple the amount incurred by SBC during the fourth quarter of 1997. ISP reciprocal compensation grew approximately $138 million during 1998. Adjusting for ISP reciprocal compensation, operations and support expenses grew less than 4 percent.

Southwestern Bell and Pacific Bell continued to incur expenses to achieve merger synergies. Without these expenses (more than $100 million during the fourth quarter) and ISP reciprocal compensation expenses, the wireline segment's expense growth would have been less than 1 percent. This expense growth reflects the positive impacts that SBC's merger initiatives are having on the cost structure of the wireline segment.

EBITDA

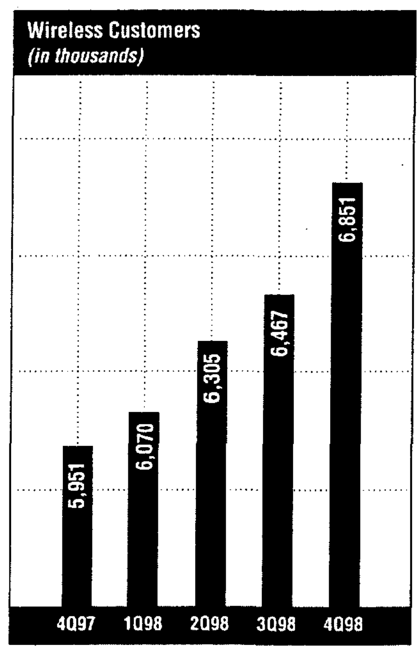
Because fourth-quarter revenues grew faster than expenses in the wireline segment, EBITDA increased almost $150 million compared with the prior-year quarter, and grew more than $850 million, or 10 percent, during 1998. Furthermore, 1998 EBITDA margins improved 150 basis points compared with 1997, even after absorbing the growth in ISP reciprocal compensation expenses and merger integration costs.

Wireless Segment

Wireless segment revenues grew 13.5 percent to $1.1 billion during the fourth quarter. SBC ended the quarter with 6.9 million domestic wireless subscribers, an increase of 384,000 during the quarter, and 900,000 during 1998. SBC's net subscriber growth during the quarter was better than the company expected; in fact, traditional cellular net additions outpaced California/Nevada PCS net additions for the first time in 1998.

During the fourth quarter, net additions resulted from continued strength in gross additions, which were up more than 31 percent over last year's fourth quarter. This was offset by churn levels that increased about 18 percent over 1997 reflecting the impact of prepaid customers whose churn rate is much higher than contract customers. While representing less than 5 percent of SBC's subscriber base, prepaid customers generated about 45 percent of the increase in churn. Contract subscriber churn also grew as customers reacted to aggressive pricing, promotions and packaging offered by a growing number of competitors.

SBC is responding to competition with appropriate roaming packages and pricing plans. The plans, such as the Digital Edge USA rate plan in Washington/Baltimore and Boston, give SBC the flexibility to compete effectively in each of its markets. SBC also has migrated more than 660,000 key customers in the company's traditional cellular markets to high-quality digital networks. SBC has exceeded its goal of migrating 30 percent of wireless minutes to digital in its major markets. In SBC's two top markets – Dallas



and Chicago – more than 40 percent of total minutes of use are digital.

SBC continues to pursue growth opportunities in its wireless business. On Jan. 20, 1999, SBC announced its plans to purchase Comcast Cellular Corporation. The acquired Comcast properties, along with the SNET properties, are a complementary fit with SBC's existing Cellular One properties in the northeast. SBC's size and scale offer significant cost synergies as SBC integrates SNET and Comcast Cellular into its operations.

On the west coast, SBC has dramatically broadened the distribution channel mix in its California/Nevada PCS markets to include agents, company stores, resellers and Pacific Bell Telephone's customer service channel. SBC is also putting more of its customer base under contract; in fact, more than 95 percent of the fourth quarter's gross additions signed a service contract.

SBC continues to emphasize in all its wireless properties quality of service and effectively balancing growth, margins and bottom-line profitability.

Despite competitive pressures, SBC produced strong growth and held average revenue per user at about $50, and improved overall margins more than 850 basis points.

California/Nevada PCS operations factor significantly into the balancing of growth, margins and bottom-line profitability at SBC. These operations were significantly less dilutive in 1998 than in 1997, and they contributed about one-fourth of the wireless segment's EBITDA growth in the fourth quarter. These operations are well on their way to achieving SBC's goal of producing positive EBITDA contribution in 1999, and positive earnings in 2000.

Directory Segment

Directory segment revenue was $924 million for the fourth quarter, up 13.5 percent compared with the year-ago quarter. The rescheduling and extension of directories, including the Houston directory, was the primary cause of the net increase in revenue for the quarter. In 1997 the Houston directory was published during the third quarter, but in 1998 it was published during the fourth quarter.

Directory revenue, on a consolidated basis, increased 15.2 percent. This growth, driven by the same factors affecting directory segment revenue, was partially offset by wireline directory advertising revenue which is treated as other revenue within the wireline segment, but as directory advertising revenue on a consolidated basis.

The net effect of the previously mentioned directory schedule changes also affected expense growth for the fourth quarter because both expense and revenue for the directories are recorded together. Operations and Support expenses for the directory segment were $410 million, up 11.4 percent compared with the prior-year quarter.

Integration initiatives also had a positive impact on the financial performance of the directory segment during 1998. Operations and Support expenses were less than the previous year – a direct benefit of SBC's increased size and scale. Year-over-year cost savings are evident in key cost categories including paper, printing and distribution. These size and scale benefits present additional opportunity as SNET's directory operations are integrated into SBC's.

"Other" Segment

This segment is dominated by results from SBC's international holdings, which are primarily accounted for in the Equity in Net Income of Affiliates line. Equity in net income of affiliates for the Other segment was $49 million for the quarter, down 22 percent compared with the fourth quarter of 1997. Long distance and wireless build-out activities by SBC's investment in Switzerland were the main drivers to the decline in equity earnings. DiAx began offering wireless service in Switzerland in late December, and initial demand is promising. Long distance operations for diAx began in May 1998.

Growth in international equity earnings has also been dampened by minor impacts from exchange-rate movements, particularly the South African rand.

Taxes

SBC's effective tax rate for 1998 was 36.2 percent, which was in the expected range and consistent with the prior year.

Capital Expenditures

SBC's capital expenditures for 1998 were $5.9 billion, including wireline and wireless capital expenditures of $5.2 billion and $644 million, respectively. SBC expects 1999 capital expenditures to be approximately $6.5 billion.

Summary

In reviewing the quarter and the full year, Whitacre concluded, "This was a very successful year for SBC. We generated strong financial results while continuing to focus on our national-local strategy and the acquisitions of Ameritech and SNET; all of this helps set the stage for SBC's emergence as a national and global communications provider."

SBC Communications Inc.

Reconciliation of Reported and Normalized Results

(Dollars in Millions)

	Three Months Ended			Twelve Months Ended		
	12/31/98	12/31/97	% Change	**12/31/98**	12/31/97	% Change
Reported Net Income	**$ 756**	$642	17.8%	**$4,023**	$1,674	140.3%
Extraordinary loss for debt refinancing	**60**			**60**		
Cumulative effect of directory accounting change for SNET				**(15)**		
Special charge for strategic initiatives & merger integration	**268**	294		**268**	1,899	
Gain from sale of non-core businesses, including MTN				**(219)**		
1Q97 Pension Settlement Gain					(90)	
Bellcore gain		(33)			(33)	
Normalized Earnings	**$1,084**	$903	20.0%	**$4,117**	$3,450	19.3%

Items affecting fourth-quarter results

Two items significantly affected fourth-quarter 1998 results. The first was a $60 million extraordinary loss for debt refinancing relating to a fixed-spread repurchase of almost $700 million of Pacific Bell debentures.

Normalized results in the fourth quarter also exclude $433 million of net charges related to strategic initiatives resulting from the merger integration process with SNET (the after-tax impact of these charges was $268 million).

This $433 million special charge includes an asset impairment adjustment reducing the carrying value of SNET's hybrid fiber coax network, charges for changes in wireless equipment and sites, and recognition of certain post-employment benefits and costs associated with closing down duplicate operations. Other charges arising out of the merger related to relocation, retraining, and other effects of consolidating certain operations will be recognized in the periods those charges are incurred.

Another issue not previously discussed in SBC's financial results is the accounting change made by SNET in the first quarter of 1998. The change involves the accounting recognition of directory advertising revenue on a when-issued basis. This accounting treatment is consistent with that used by most of the industry, including SBC. The remaining normalizing issues have been identified and discussed in prior quarters.

SBC Communications Inc.
Consolidated Statements of Income (Unaudited)
(Dollars in Millions, Except per Share Amounts)

	Three Months Ended			Twelve Months Ended		
	12/31/98	12/31/97	% Change	12/31/98	12/31/97	% Change
Operating Revenues						
Landline local service	$2,809	$2,679	4.9%	$11,100	$10,334	7.4%
Wireless subscriber	986	891	10.7%	3,783	3,372	12.2%
Network access	1,651	1,585	4.2%	6,512	6,215	4.8%
Long-distance service	564	560	0.7%	2,355	2,352	0.1%
Directory advertising	931	808	15.2%	2,420	2,280	6.1%
Other	735	591	24.4%	2,607	2,128	22.5%
Total Operating Revenues	7,676	7,114	7.9%	28,777	26,681	7.9%
Operating Expenses						
Operations and support	4,785	4,743	0.9%	16,714	17,802	–6.1%
EBITDA*	2,891	2,371	21.9%	12,063	8,879	35.9%
Depreciation and amortization	1,500	1,220	23.0%	5,177	5,301	–2.3%
Total Operating Expenses	6,285	5,963	5.4%	21,891	23,103	–5.2%
Operating Income	1,391	1,151	20.9%	6,886	3,578	92.5%
Interest Expense	233	276	–15.6%	993	1,043	–4.8%
Equity in Net Income of Affiliates	55	58	–5.2%	236	201	17.4%
Other Income (Expense) – Net	36	25	44.0%	245	(78)	–
Income Before Income Taxes, Extraordinary Loss and Cumulative Effect of Accounting Change	1,249	958	30.4%	6,374	2,658	–
Income Taxes	433	316	37.0%	2,306	984	–
Income Before Extraordinary Loss and Cumulative Effect of Accounting Change	816	642	27.1%	4,068	1,674	–
Extraordinary Loss, net of tax	(60)	–	–	(60)	–	–
Cumulative Effect of Accounting Change, net of tax	–	–	–	15	–	–
Net Income	$ 756	$ 642	17.8%	$ 4,023	$ 1,674	–
Basic Earnings Per Share:						
Income Before Extraordinary Loss and Cumulative Effect of Accounting Change	$ 0.42	$ 0.33	27.3%	$ 2.08	$ 0.86	–
Net Income	$ 0.39	$ 0.33	18.2%	$ 2.06	$ 0.86	–
Diluted Earnings Per Share:						
Income Before Extraordinary Loss and Cumulative Effect of Accounting Change	$ 0.41	$ 0.33	24.2%	$ 2.05	$ 0.85	–
Net Income	$ 0.38	$ 0.33	15.2%	$ 2.03	$ 0.85	–

*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			Twelve Months Ended		
	12/31/98	12/31/97	% Change	12/31/98	12/31/97	% Change
Operating Revenues:						
Landline local service	$2,811	$2,679	4.9%	$11,102	$10,348	7.3%
Wireless subscriber	986	891	10.7%	3,783	3,372	12.2%
Network access	1,657	1,585	4.5%	6,518	6,369	2.3%
Long-distance service	564	560	0.7%	2,355	2,354	–
Directory advertising	931	808	15.2%	2,420	2,280	6.1%
Other	735	591	24.4%	2,607	2,146	21.5%
Total Operating Revenues	7,684	7,114	8.0%	28,785	26,869	7.1%
Operating Expenses						
Operations and support	4,584	4,275	7.2%	16,513	15,856	4.1%
EBITDA*	3,100	2,839	9.2%	12,272	11,013	11.4%
Depreciation and amortization	1,279	1,209	5.8%	4,956	4,697	5.5%
Total Operating Expenses	5,863	5,484	6.9%	21,469	20,553	4.5%
Operating Income	1,821	1,630	11.7%	7,316	6,316	15.8%
Interest Expense	230	276	–16.7%	990	1,016	–2.6%
Equity in Net Income of Affiliates	55	58	–5.2%	236	201	17.4%
Other Income (Expense) – Net	36	(23)	–	(113)	(100)	13.0%
Income Before Income Taxes, Extraordinary Loss and Cumulative Effect of Accounting Change	1,682	1,389	21.1%	6,449	5,401	19.4%
Income Taxes	598	486	23.0%	2,332	1,951	19.5%
Income Before Extraordinary Loss and Cumulative Effect of Accounting Change	1,084	903	20.0%	4,117	3,450	19.3%
Extraordinary Loss, net of tax#	(60)	–	–	(60)	–	–
Cumulative Effect of Accounting Change, net of tax@	–	–	–	15	–	–
Net Income	$1,024	$ 903	13.4%	$ 4,072	$ 3,450	18.0%
Basic Earnings Per Share:						
Income Before Extraordinary Loss and Cumulative Effect of Accounting Change	$ 0.55	$ 0.46	19.6%	$ 2.10	$ 1.77	18.6%
Net Income	$ 0.52	$ 0.46	13.0%	$ 2.08	$ 1.77	17.5%
Diluted Earnings Per Share:						
Income Before Extraordinary Loss and Cumulative Effect of Accounting Change	$ 0.55	$ 0.46	19.6%	$ 2.08	$ 1.76	18.2%
Net Income	$ 0.52	$ 0.46	13.0%	$ 2.05	$ 1.76	16.5%

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

\# Extraordinary loss in the fourth quarter of 1998 associated with the early retirement of debt.

@ Changes in directory accounting at SNET during the first quarter of 1998.

Normalized results in 1998 exclude:

- Charges during the fourth quarter totaling $433 million ($268 million after tax) for costs related to initiatives from the merger with SNET. These costs include recognition of an impairment of the assets related to SNET's hybrid fiber coax network, charges for required changes in wireless equipment inventories and sites, recognition of postemployment benefits, primarily related to severance, and costs associated with closing down duplicate operations, primarily contract cancellations. Other charges arising out of the merger related to relocation, retraining and other effects of consolidating certain operations will be recognized in the periods those charges are incurred.
- Gains during the third quarter totaling $219 million after tax for sales of certain non-core businesses, principally the required disposition of MTN.

Normalized results in 1997 exclude:

- Gains related to the sale of Bellcore, costs related to strategic initiatives resulting from the merger integration process with Pacific Telesis Group, the impact of several second quarter 1997 regulatory rulings, and the first quarter 1997 settlement gain at Pacific Telesis Group associated with lump sum pension payments.

SBC Communications Inc.

Consolidated Balance Sheets (Unaudited)

(Dollars in Millions Except per Share Amounts)

	12/31/98	12/31/97
Assets		
Current Assets		
Cash and cash equivalents	$ 460	$ 410
Short-term cash investments	6	320
Accounts receivable – net of allowances for uncollectibles of $472 and $430	5,790	5,344
Prepaid expenses	414	357
Deferred income taxes	489	660
Deferred charges	85	118
Other current assets	294	308
Total current assets	7,538	7,517
Property, Plant and Equipment – at cost	73,466	70,215
Less: Accumulated depreciation and amortization	43,546	41,147
Property, Plant and Equipment – Net	29,920	29,068
Intangible Assets – Net of Accumulated Amortization of $741 and $1,047	3,087	3,663
Investments in Equity Affiliates	2,514	2,740
Other Assets	2,007	1,848
Total Assets	$45,066	$44,836
Liabilities and Shareowners' Equity		
Current Liabilities		
Debt maturing within one year	$ 1,551	$ 2,139
Accounts payable and accrued liabilities	6,774	7,212
Accrued taxes	1,206	1,118
Dividends payable	458	441
Total current liabilities	9,989	10,910
Long-Term Debt	11,612	13,176
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,990	1,569
Postemployment benefit obligation	5,220	5,200
Unamortized investment tax credits	359	431
Other noncurrent liabilities	2,116	2,030
Total deferred credits and other noncurrent liabilities	9,685	9,230
Corporation-obligated mandatorily redeemable preferred securities of subsidiary trusts	1,000	1,000
Shareowners' Equity		
Common shares issued ($1 par value)	1,988	992
Capital in excess of par value	9,139	9,966
Retained earnings	3,396	1,204
Guaranteed obligations of employee stock ownership plans	(147)	(219)
Deferred Compensation – LESOP	(82)	(119)
Treasury shares (at cost)	(882)	(730)
Accumulated other comprehensive income	(632)	(574)
Total shareowners' equity	12,780	10,520
Total Liabilities and Shareowners' Equity	$45,066	$44,836

SBC Communications Inc.

Consolidated Statements of Cash Flows (Unaudited)

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

	Twelve Months Ended	
	12/31/98	12/31/97
Operating Activities		
Net income	**$ 4,023**	$ 1,674
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**5,177**	5,301
Undistributed earnings from investments in equity affiliates	**(56)**	(100)
Provision for uncollectible accounts	**513**	566
Amortization of investment tax credits	**(72)**	(83)
Deferred income tax expense	**533**	239
Extraordinary loss, net of tax	**60**	–
Cumulative effect of accounting change, net of tax	**(15)**	–
Other – net	**(1,782)**	(1)
Total adjustments	**4,358**	5,922
Net Cash Provided by Operating Activities	**8,381**	7,596
Investing Activities		
Construction and capital expenditures	**(5,927)**	(6,230)
Investments in affiliates	**(85)**	(26)
Purchase of short-term investments	**(42)**	(916)
Proceeds from short-term investments	**355**	1,029
Dispositions	**1,140**	578
Acquisitions	**–**	(1,118)
Other	**11**	13
Net Cash Used in Investing Activities	**(4,548)**	(6,670)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	**(367)**	(563)
Issuance of other short-term borrowings	**2**	1,079
Repayment of other short-term borrowings	**(8)**	(805)
Issuance of long-term debt	**413**	1,597
Repayment of long-term debt	**(1,121)**	(602)
Early extinguishment of debt and related call premiums	**(765)**	(6)
Purchase of fractional shares	**–**	(15)
Issuance of common shares	**64**	–
Purchase of treasury shares	**(498)**	(87)
Issuance of treasury shares	**308**	293
Dividends paid	**(1,811)**	(1,724)
Other	**–**	(7)
Net Cash Used in Financing Activities	**(3,783)**	(840)
Net increase in cash and cash equivalents	**50**	86
Cash and cash equivalents beginning of year	**410**	324
Cash and Cash Equivalents End of Period	**$ 460**	$ 410

SBC Communications Inc.
Consolidated Statements of Income – Normalized (Unaudited)
(Dollars in Millions)

	Three Months Ended			Twelve Months Ended		
	12/31/98	12/31/97	% Change	12/31/98	12/31/97	% Change
Wireline						
Operating Revenues						
Local service	$2,817	$2,695	4.5%	$11,154	$10,434	6.9%
Network access	1,660	1,588	4.5%	6,529	6,378	2.4%
Long-distance service	564	559	0.9%	2,353	2,351	0.1%
Other	608	487	24.8%	2,174	1,763	23.3%
Total Operating Revenues	5,649	5,329	6.0%	22,210	20,926	6.1%
Operating Expenses						
Operations and support	3,465	3,290	5.3%	12,711	12,291	3.4%
EBITDA*	2,184	2,039	7.1%	9,499	8,635	10.0%
Depreciation and amortization	1,103	1,047	5.3%	4,265	4,095	4.2%
Total Operating Expenses	4,568	4,337	5.3%	16,976	16,386	3.6%
Operating Income	1,081	992	9.0%	5,234	4,540	15.3%
Interest Expense	219	222	–1.4%	861	837	2.9%
Equity in Net Income of Affiliates	–	–	–	–	(5)	–
Other Income (Expense) – Net	1	3	–	(9)	38	–
Income Before Income Taxes	$ 863	$ 773	11.6%	$ 4,364	$ 3,736	16.8%
Wireless						
Operating Revenues						
Subscriber Revenues	$ 986	$ 891	10.7%	$ 3,783	$ 3,372	12.2%
Other	134	96	39.6%	402	325	23.7%
Total Operating Revenues	1,120	987	13.5%	4,185	3,697	13.2%
Operating Expenses						
Operations and support	794	769	3.3%	2,786	2,610	6.7%
EBITDA*	326	218	49.5%	1,399	1,087	28.7%
Depreciation and amortization	152	135	12.6%	583	491	18.7%
Total Operating Expenses	946	904	4.6%	3,369	3,101	8.6%
Operating Income	174	83	–	816	596	36.9%
Interest Expense	44	45	–2.2%	179	152	17.8%
Equity in Net Income of Affiliates	6	(5)	–	25	9	–
Other Income (Expense) – Net	(38)	(26)	46.2%	(172)	(98)	75.5%
Income Before Income Taxes	$ 98	$ 7	–	$ 490	$ 355	38.0%
Directory						
Operating Revenues	$ 924	$ 814	13.5%	$ 2,393	$ 2,286	4.7%
Operating Expenses						
Operations and support	410	368	11.4%	1,227	1,230	–0.2%
EBITDA*	514	446	15.2%	1,166	1,056	10.4%
Depreciation and amortization	7	7	–	31	28	10.7%
Total Operating Expenses	417	375	11.2%	1,258	1,258	–
Operating Income	507	439	15.5%	1,135	1,028	10.4%
Interest Expense	3	1	–	11	4	–
Other Income (Expense) – Net	2	6	–66.7%	7	19	–63.2%
Income Before Income Taxes	$ 506	$ 444	14.0%	$ 1,131	$ 1,043	8.4%
Other						
Operating Revenues	$ 22	$ 24	–8.3%	$ 85	$ 57	49.1%
Operating Expenses	71	41	73.2%	152	93	63.4%
Operating Income (Loss)	(49)	(17)	–	(67)	(36)	86.1%
Interest Expense	10	8	25.0%	37	25	48.0%
Equity in Net Income of Affiliates	49	63	–22.2%	211	206	2.4%
Other Income (Expense) – Net	53	7	–	162	47	–
Income Before Income Taxes	$ 43	$ 45	–4.4%	$ 269	$ 192	40.1%

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

SBC Communications Inc.

Supplementary Financial and Operating Data (Unaudited)

(Dollars in Millions, Except per Share Amounts)

	Three Months Ended			Twelve Months Ended		
	12/31/98	12/31/97	% Change	**12/31/98**	12/31/97	% Change
Analytical and Operating Information						
Access Minutes of Use (000,000)	**37,691**	35,868	5.1%	**148,560**	139,470	6.5%
Capital Expenditures	**$ 1,736**	$ 1,769	−1.9%	**$ 5,927**	$ 6,230	−4.9%
Capital Expenditures – Wireline	**$ 1,424**	$ 1,451	−1.9%	**$ 5,178**	$ 5,275	−1.8%
Capital Expenditures – Wireless	**$ 264**	$ 259	1.9%	**$ 644**	$ 776	−17.0%
Dividends Declared Per Share*	**$0.23375**	$0.22375	4.5%	**$0.93500**	$0.89500	4.5%
Weighted Average Common Shares Outstanding (000,000)	**1,957**	1,951	0.3%	**1,957**	1,945	0.6%
Weighted Average Common Shares Outstanding With Dilution (000,000)	**1,987**	1,975	0.6%	**1,984**	1,962	1.1%
End of Period Common Shares Outstanding (000,000)				**1,959**	1,954	0.3%
Debt Ratio				**48.86%**	57.07%	-821 BP
Total Employees				**129,850**	128,100	1.4%
Access Lines Served (000)				**37,252**	35,727	4.3%
Residence				**23,311**	22,400	4.1%
Business				**13,449**	12,841	4.7%
Other				**493**	486	1.4%
Resold Lines (000)				**803**	533	50.7%
Domestic Wireless Operations						
Wireless Customers (000) **	**6,851**	5,951	15.1%	**6,851**	5,951	15.1%
Net Adds (000)	**384**	287	33.8%	**900**	1,124	−19.9%
POPs (000)	**84,035**	84,035	–	**84,035**	84,035	–
SBC International ***						
Total customers of SBC International's affiliates						
Access Lines (000)				**14,948**	13,715	9.0%
Wireless (000):						
Subscribers				**9,713**	5,088	90.9%
Net Adds****				**4,625**	2,406	92.2%
Video Subscribers (000)				**821**	668	22.9%
SBC's proportionate interest of SBC International's affiliates						
Access Lines (000)				**1,958**	1,728	13.3%
Wireless (000):						
Subscribers				**1,015**	516	96.7%
Net Adds****				**498**	247	101.6%
Video Subscribers (000)				**343**	268	28.0%

*Dividends declared by SBC's Board of Directors; these amounts do not include dividends declared and paid by Southern New England Telecommunications Corporation and Pacific Telesis Group prior to their respective mergers with SBC.

**Includes acquisitions and Houston/Austin customers.

***1997 amounts represent SBC's historical interest in current international investments.

****Net adds for SBC's interest in Vodacom Group (Pty) Ltd are not included in 1997 amounts.

SBC Investor**Briefing**

SBC Investor Briefing is published by the Investor Relations staff of SBC Communications Inc. Requests for further information may be directed to one of the Investor Relations managers by phone (210-351-3327) or fax (210-351-2071).

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ATTACHMENT C

Investor Briefing

January 8, 1999 *No. 205*

SBC Moves to Segment Reporting

In line with Statement of Financial Accounting Standards No. 131 (FAS 131), SBC will disclose 1998 fourth-quarter and year-end financial results using segment reporting guidelines. This *Investor Briefing* defines SBC's segment structure and provides historical financial results including SNET on a segment basis.

The goal of FAS 131 is to help shareowners and others better analyze the financial performance of a public company's different businesses or operating segments. As a result, FAS 131 requires companies to report financial performance based on:

- How management organizes its operating segments
- How management internally evaluates segment financial performance

Summary of Segment Reporting's Impact:

SBC will report results for four operating segments — Wireline, Wireless, Directory and Other — in accordance with FAS 131. SBC will also have non-operating segment amounts that reconcile operating segment results to consolidated SBC results.

As in the past, SBC's *Investor Briefings* will contain ***consolidated income statements*** with both reported and normalized results down to net income.

However, SBC's *Investor Briefings* will now provide ***segment income statements*** that end at income before income taxes and that have been adjusted for normalizing items.[1]

Other effects of segment reporting include the following changes to SBC's quarterly *Investor Briefings*:

- No separate results or discussion will be provided for Southwestern Bell and Pacific Bell.
- Reported results including special items will be available only for consolidated SBC.
- Wireless and Directory operations will be discussed in greater detail than before.

The following financial schedules are intended to assist shareowners and analysts in modeling SBC by providing historical financial and operational results on a segment basis. The financial schedules include other restatements for all periods as highlighted below.

Other Changes Included in Financial Statements:

- Results reflect the Southern New England Telecommunications (SNET) merger as a pooling of interests and include conforming accounting changes related to pension and postretirement benefits at SNET.
- Reclassification of all Cost of Services and Products expenses and Selling, General and Administrative expenses to Operations and Support expenses.
- Reclassification of voice messaging revenues from Other Revenues to Local Service.
- Reclassification of amounts collected for gross receipt taxes from Local Service revenue to Operations and Support expense to net with gross receipt remittances.
- Reclassification of federal USF payments from Operations and Support expense to Network Access revenue to net all USF activity.
- Reclassification of Wireless Local Service revenue and wireless-related Long Distance revenue to Wireless Subscriber revenue on SBC consolidated income statements.

[1] Because SBC manages its segments based on normalized income before income taxes, this approach for presenting segment results follows FAS 131 requirements which state that disclosures should mirror how management looks at financial performance in order to make operating decisions.

Segment Definitions

Wireline Segment

Provides landline telecommunications services including:	Revenue Line
• Exchange access lines • Vertical services including voice messaging • Local data transport services including Asymmetrical Digital Subscriber Line (ADSL) • Resold lines	Local Service
• Usage-based switched access • Dedicated transport for special access • Access-line related charges, e.g., Subscriber Line Charges (SLC), Presubscribed Interexchange Carrier Charges (PICC) • Net Federal Universal Service Fund (USF) activity	Network Access
• Intralata toll traffic • Interlata long distance voice and data services provided to Connecticut customers	Long Distance Service
• Consumer customer premise equipment • Business systems • Network integration • Internet access • Inside wire maintenance contracts • Billing and collection agreements • Enhanced consumer white-page listings	Other

Wireless Segment

Provides domestic wireless services including:	Revenue Line
• Cellular and PCS local, long distance and roaming services	Subscriber Revenues
• Cellular and PCS handsets • Interconnection revenues for terminating traffic	Other Revenues

Directory Segment

Performs directory-related functions including:	Revenue Line
• Selling and publishing yellow-pages advertising • Publishing white-pages directories • Selling enhanced business white-pages listings • Providing non-directory-related advertising, e.g., Internet services, coupon design, production and distribution	Operating Revenues

Other Segment

Includes:	Income Statement Line
• International Operations	Various lines including Equity in Net Income of Affiliates
• Other domestic operations	Other Revenue and various expense lines

Reconciling Items

Reconciles operating segment results to consolidated SBC results. Includes:	Income Statement Line
• Corporate activities • Intersegment eliminations • All other adjustments	All

SBC Communications Inc.
Consolidated Statements of Income (Unaudited)
(Dollars in Millions, Except per Share Amounts)

	Three Months Ended			Nine Months Ended
	3/31/98	6/30/98	9/30/98	9/30/98
Operating Revenues				
Landline local service	$2,682	$2,777	$2,832	$ 8,291
Wireless subscriber	867	955	975	2,797
Network access	1,603	1,644	1,614	4,861
Long-distance service	590	593	608	1,791
Directory advertising	550	436	503	1,489
Other	563	625	684	1,872
Total Operating Revenues	6,855	7,030	7,216	21,101
Operating Expenses				
Operations and support	3,879	3,978	4,072	11,929
EBITDA*	2,976	3,052	3,144	9,172
Depreciation and amortization	1,201	1,235	1,241	3,677
Total Operating Expenses	5,080	5,213	5,313	15,606
Operating Income	1,775	1,817	1,903	5,495
Interest Expense	256	260	244	760
Equity in Net Income of Affiliates	53	73	55	181
Other Income (Expense) – Net	(39)	(39)	287	209
Income Before Income Taxes and Cumulative Effect of Accounting Change	1,533	1,591	2,001	5,125
Income Taxes	563	571	739	1,873
Income Before Cumulative Effect of Accounting Change	970	1,020	1,262	3,252
Cumulative Effect of Accounting Change, net of tax	15	–	–	15
Net Income	$ 985	$1,020	$1,262	$ 3,267
Basic Earnings Per Share:				
Income Before Cumulative Effect of Accounting Change	$ 0.49	$ 0.52	$ 0.65	$ 1.66
Net Income	$ 0.50	$ 0.52	$ 0.65	$ 1.67
Diluted Earnings Per Share:				
Income Before Cumulative Effect of Accounting Change	$ 0.49	$ 0.51	$ 0.64	$ 1.64
Net Income	$ 0.50	$ 0.51	$ 0.64	$ 1.65

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

SBC Communications Inc.
Consolidated Statements of Income (Unaudited)
(Dollars in Millions, Except per Share Amounts)

	Three Months Ended				Year Ended
	3/31/97	6/30/97	9/30/97	12/31/97	12/31/97
Operating Revenues					
Landline local service	$2,460	$2,560	$2,635	$2,679	**$10,334**
Wireless subscriber	761	839	881	891	**3,372**
Network access	1,590	1,461	1,579	1,585	**6,215**
Long-distance service	603	590	599	560	**2,352**
Directory advertising	512	414	546	808	**2,280**
Other	479	508	550	591	**2,128**
Total Operating Revenues	6,405	6,372	6,790	7,114	**26,681**
Operating Expenses					
Operations and support	3,560	5,463	4,036	4,743	**17,802**
EBITDA*	2,845	909	2,754	2,371	**8,879**
Depreciation and amortization	1,160	1,740	1,181	1,220	**5,301**
Total Operating Expenses	4,720	7,203	5,217	5,963	**23,103**
Operating Income (Loss)	1,685	(831)	1,573	1,151	**3,578**
Interest Expense	237	268	262	276	**1,043**
Equity in Net Income of Affiliates	27	54	62	58	**201**
Other Income (Expense) – Net	(20)	(60)	(23)	25	**(78)**
Income (Loss) Before Income Taxes	1,455	(1,105)	1,350	958	**2,658**
Income Taxes	554	(369)	483	316	**984**
Net Income (Loss)	$ 901	$ (736)	$ 867	$ 642	**$ 1,674**
Basic Earnings (Loss) Per Share	$ 0.46	$ (0.38)	$ 0.45	$ 0.33	**$ 0.86**
Diluted Earnings (Loss) Per Share	$ 0.46	$ (0.38)	$ 0.44	$ 0.33	**$ 0.85**

*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 3/31/98	Three Months Ended 6/30/98	Three Months Ended 9/30/98	Nine Months Ended 9/30/98
Operating Revenues				
Landline local service	$2,682	$2,777	$2,832	$ 8,291
Wireless subscriber	867	955	975	2,797
Network access	1,603	1,644	1,614	4,861
Long-distance service	590	593	608	1,791
Directory advertising	550	436	503	1,489
Other	563	625	684	1,872
Total Operating Revenues	6,855	7,030	7,216	21,101
Operating Expenses				
Operations and support	3,879	3,978	4,072	11,929
EBITDA*	2,976	3,052	3,144	9,172
Depreciation and amortization	1,201	1,235	1,241	3,677
Total Operating Expenses	5,080	5,213	5,313	15,606
Operating Income	1,775	1,817	1,903	5,495
Interest Expense	256	260	244	760
Equity in Net Income of Affiliates	53	73	55	181
Other Income (Expense) – Net	(39)	(39)	(71)	(149)
Income Before Income Taxes and Cumulative Effect of Accounting Change	1,533	1,591	1,643	4,767
Income Taxes	563	571	600	1,734
Income Before Cumulative Effect of Accounting Change	970	1,020	1,043	3,033
Cumulative Effect of Accounting Change, net of tax	15	–	–	15
Net Income	$ 985	$1,020	$1,043	$ 3,048
Basic Earnings Per Share:				
Income Before Cumulative Effect of Accounting Change	$ 0.49	$ 0.52	$ 0.53	$ 1.55
Net Income	$ 0.50	$ 0.52	$ 0.53	$ 1.56
Diluted Earnings Per Share:				
Income Before Cumulative Effect of Accounting Change	$ 0.49	$ 0.51	$ 0.53	$ 1.53
Net Income	$ 0.50	$ 0.51	$ 0.53	$ 1.54

*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				Year Ended
	3/31/97	6/30/97	9/30/97	12/31/97	12/31/97
Operating Revenues					
Landline local service	$2,460	$2,574	$2,635	$2,679	$10,348
Wireless subscriber	761	839	881	891	3,372
Network access	1,590	1,615	1,579	1,585	6,369
Long-distance service	603	592	599	560	2,354
Directory advertising	512	414	546	808	2,280
Other	479	526	550	591	2,146
Total Operating Revenues	6,405	6,560	6,790	7,114	26,869
Operating Expenses					
Operations and support	3,712	3,850	4,019	4,275	15,856
EBITDA*	2,693	2,710	2,771	2,839	11,013
Depreciation and amortization	1,160	1,147	1,181	1,209	4,697
Total Operating Expenses	4,872	4,997	5,200	5,484	20,553
Operating Income	1,533	1,563	1,590	1,630	6,316
Interest Expense	237	241	262	276	1,016
Equity in Net Income of Affiliates	27	54	62	58	201
Other Income (Expense) – Net	(20)	(34)	(23)	(23)	(100)
Income Before Income Taxes	1,303	1,342	1,367	1,389	5,401
Income Taxes	492	483	490	486	1,951
Net Income	$ 811	$ 859	$ 877	$ 903	$ 3,450
Basic Earnings Per Share	$ 0.42	$ 0.44	$ 0.45	$ 0.46	$ 1.7[illegible]
Diluted Earnings Per Share	$ 0.42	$ 0.44	$ 0.45	$ 0.46	$ 1.76

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

SBC Communications Inc.

Consolidated Statements of Income — Normalized Wireline (Unaudited)

(Dollars in Millions)

	Three Months Ended			Nine Months Ended
	3/31/98	6/30/98	9/30/98	9/30/98
Operating Revenues				
Local service	$2,707	$2,801	$2,829	$ 8,337
Network access	1,603	1,644	1,622	4,869
Long-distance service	589	592	608	1,789
Other	471	486	609	1,566
Total Operating Revenues	5,370	5,523	5,668	16,561
Operating Expenses				
Operations and support	3,026	3,057	3,163	9,246
EBITDA*	2,344	2,466	2,505	7,315
Depreciation and amortization	1,029	1,055	1,078	3,162
Total Operating Expenses	4,055	4,112	4,241	12,408
Operating Income	1,315	1,411	1,427	4,153
Interest Expense	209	218	215	642
Equity in Net Income of Affiliates	–	–	–	—
Other Income (Expense) — Net	(13)	4	(1)	(10)
Income Before Income Taxes	$1,093	$1,197	$1,211	$ 3,501

	Three Months Ended				Year Ended
	3/31/97	6/30/97	9/30/97	12/31/97	12/31/97
Operating Revenues					
Local service	$2,483	$2,597	$2,659	$2,695	$10,434
Network access	1,593	1,614	1,583	1,588	6,378
Long-distance service	603	591	598	559	2,351
Other	395	426	455	487	1,763
Total Operating Revenues	5,074	5,228	5,295	5,329	20,926
Operating Expenses					
Operations and support	2,910	3,004	3,087	3,290	12,291
EBITDA*	2,164	2,224	2,208	2,039	8,635
Depreciation and amortization	1,025	1,006	1,017	1,047	4,095
Total Operating Expenses	3,935	4,010	4,104	4,337	16,386
Operating Income	1,139	1,218	1,191	992	4,540
Interest Expense	201	197	217	222	837
Equity in Net Income of Affiliates	(2)	(3)	–	–	(5)
Other Income (Expense) — Net	2	(1)	34	3	38
Income Before Income Taxes	$ 938	$1,017	$1,008	$ 773	$ 3,736

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

SBC Communications Inc.
Consolidated Statements of Income — Normalized Wireless (Unaudited)
(Dollars in Millions)

	Three Months Ended 3/31/98	6/30/98	9/30/98	Nine Months Ended 9/30/98
Operating Revenues				
Subscriber Revenues	$ 867	$ 956	$ 974	$ 2,797
Other	80	90	98	268
Total Operating Revenues	947	1,046	1,072	3,065
Operating Expenses				
Operations and support	634	676	682	1,992
EBITDA*	313	370	390	1,073
Depreciation and amortization	139	146	146	431
Total Operating Expenses	773	822	828	2,423
Operating Income	174	224	244	642
Interest Expense	45	45	45	135
Equity in Net Income of Affiliates	2	8	9	19
Other Income (Expense) — Net	(36)	(39)	(59)	(134)
Income Before Income Taxes	$ 95	$ 148	$ 149	$ 392

	Three Months Ended 3/31/97	6/30/97	9/30/97	12/31/97	Year Ended 12/31/97
Operating Revenues					
Subscriber Revenues	$ 761	$ 839	$ 881	$ 891	$ 3,372
Other	64	76	89	96	325
Total Operating Revenues	825	915	970	987	3,697
Operating Expenses					
Operations and support	527	617	697	769	2,610
EBITDA*	298	298	273	218	1,087
Depreciation and amortization	107	112	137	135	491
Total Operating Expenses	634	729	834	904	3,101
Operating Income	191	186	136	83	596
Interest Expense	30	32	45	45	152
Equity in Net Income of Affiliates	6	4	4	(5)	9
Other Income (Expense) — Net	(21)	(32)	(19)	(26)	(98)
Income Before Income Taxes	$ 146	$ 126	$ 76	$ 7	$ 355

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

SBC Communications Inc.

Consolidated Statements of Income — Normalized Directory (Unaudited)

(Dollars in Millions)

	Three Months Ended			Nine Months Ended
	3/31/98	6/30/98	9/30/98	9/30/98
Operating Revenues	$554	$441	$474	$ 1,469
Operating Expenses				
Operations and support	298	264	255	817
EBITDA*	256	177	219	652
Depreciation and amortization	9	8	7	24
Total Operating Expenses	307	272	262	841
Operating Income	247	169	212	628
Interest Expense	3	3	2	8
Other Income (Expense) — Net	3	–	2	5
Income Before Income Taxes	$247	$166	$212	$ 625

	Three Months Ended				Year Ended
	3/31/97	6/30/97	9/30/97	12/31/97	12/31/97
Operating Revenues	$522	$419	$531	$814	$2,286
Operating Expenses					
Operations and support	293	266	303	368	1,230
EBITDA*	229	153	228	446	1,056
Depreciation and amortization	7	7	7	7	28
Total Operating Expenses	300	273	310	375	1,258
Operating Income	222	146	221	439	1,028
Interest Expense	2	1	–	1	4
Other Income (Expense) – Net	4	3	6	6	19
Income Before Income Taxes	$224	$148	$227	$444	$1,043

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

SBC Communications Inc.
Consolidated Statements of Income — Normalized Other (Unaudited)
(Dollars in Millions)

	Three Months Ended			Nine Months Ended
	3/31/98	6/30/98	9/30/98	9/30/98
Operating Revenues	$ 18	$21	$24	$ 63
Operating Expenses	24	27	30	81
Operating Loss	(6)	(6)	(6)	(18)
Interest Expense	7	9	11	27
Equity in Net Income of Affiliates	51	65	46	162
Other Income (Expense) — Net	104	4	1	109
Income Before Income Taxes	$142	$54	$30	$226

	Three Months Ended				Year Ended
	3/31/97	6/30/97	9/30/97	12/31/97	12/31/97
Operating Revenues	$ 8	$ 9	$16	$ 24	$ 57
Operating Expenses	15	16	21	41	93
Operating Loss	(7)	(7)	(5)	(17)	(36)
Interest Expense	2	7	8	8	25
Equity in Net Income of Affiliates	28	57	58	63	206
Other Income (Expense) — Net	4	11	25	7	47
Income Before Income Taxes	$ 23	$54	$70	$ 45	$192

SBC Communications Inc.
Supplementary Financial and Operating Data (Unaudited)
(Dollars in Millions, Except per Share Amounts)

	3/31/98	6/30/98	9/30/98	Nine Months Ended 9/30/98
Analytical and Operating Information				
For the period ended:				
Access Minutes of Use (000,000)	35,671	37,135	38,063	110,869
Capital Expenditures	$ 1,175	$ 1,556	$ 1,460	$ 4,191
Capital Expenditures — Wireline	$ 1,048	$ 1,372	$ 1,334	$ 3,754
Capital Expenditures — Wireless	$ 111	$ 159	$ 110	$ 380
Dividends Declared Per Share*	$0.23375	$0.23375	$0.23375	$0.70125
Weighted Average Common Shares Outstanding (000,000)	1,957	1,958	1,955	1,956
Weighted Average Common Shares Outstanding With Dilution (000,000)	1,983	1,985	1,980	1,983
End of Period Common Shares Outstanding (000,000)	1,958	1,957	1,953	1,953
As of:				
Debt Ratio	56.41%	54.42%	51.42%	51.42%
Total Employees	129,000	129,800	129,000	129,000
Access Lines Served (000)	36,253	36,548	36,944	36,944
Residence	22,740	22,872	23,123	23,123
Business	13,025	13,186	13,329	13,329
Other	488	490	492	492
Resold Lines (000)	632	677	748	748
Domestic Wireless Operations				
As of or for the period ended:				
Wireless Customers (000) **	6,070	6,305	6,467	6,467
Net Adds (000)	119	235	162	516
POPs (000)	84,035	84,035	84,035	84,035
SBC International				
As of or for the period ended:				
Total customers of SBC International's affiliates				
Access Lines (000)	13,612	14,596	15,019	15,019
Wireless (000):				
Subscribers	5,064	5,895	6,976	6,976
Net Adds	621	831	1,081	2,533
Video Subscribers (000)	654	789	811	811
SBC's proportionate interest of SBC International's affiliates				
Access Lines (000)	1,726	1,858	1,937	1,937
Wireless (000):				
Subscribers	532	619	731	731
Net Adds	73	87	112	272
Video Subscribers (000)	265	329	340	340

* Dividends declared by SBC's Board of Directors; these amounts do not include dividends declared and paid by Southern New England Telecommunications Corporation prior to the merger with SBC.

** Includes acquisitions and Houston/Austin customers.

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

(Dollars in Millions Except per Share Amounts)

	3/31/97	6/30/97	9/30/97	12/31/97	Year Ended 12/31/97
Analytical and Operating Information					
For the period ended:					
Access Minutes of Use (000,000)	33,412	34,739	35,451	35,868	139,470
Capital Expenditures	$ 1,352	$ 1,625	$ 1,484	$ 1,769	$ 6,230
Capital Expenditures — Wireline	$ 1,172	$ 1,377	$ 1,275	$ 1,451	$ 5,275
Capital Expenditures — Wireless	$ 157	$ 187	$ 173	$ 259	$ 776
Dividends Declared Per Share*	$0.22375	$0.22375	$0.22375	$0.22375	$0.89500
Weighted Average Common Shares Outstanding (000,000)	1,940	1,941	1,945	1,951	1,945
Weighted Average Common Shares Outstanding With Dilution (000,000)	1,954	1,956	1,962	1,975	1,962
End of Period Common Shares Outstanding (000,000)	1,940	1,943	1,947	1,954	1,954
As of:					
Debt Ratio	57.38%	60.53%	59.66%	57.07%	57.07%
Total Employees	122,900	127,800	128,100	128,100	128,100
Access Lines Served (000)	34,481	34,811	35,309	35,727	35,727
Residence	21,795	21,908	22,173	22,400	22,400
Business	12,209	12,421	12,652	12,841	12,841
Other	477	482	484	486	486
Resold Lines (000)	120	205	351	533	533
Domestic Wireless Operations					
As of or for the period ended:					
Wireless Customers (000) **	5,087	5,382	5,664	5,951	5,951
Net Adds (000)	260	295	282	287	1,124
POPs (000)	58,408	66,315	83,737	84,036	84,036
SBC International * **					
As of or for the period ended:					
Total customers of SBC International's affiliates					
Access Lines (000)	8,605	12,964	13,310	13,526	13,526
Wireless (000):					
Subscribers	2,216	2,746	3,488	4,443	4,443
Net Adds	341	530	742	955	2,568
Video Subscribers (000)	610	630	663	668	668
SBC's proportionate interest of SBC International's affiliates					
Access Lines (000)	853	1,635	1,687	1,713	1,713
Wireless (000):					
Subscribers	233	283	355	459	459
Net Adds	36	50	72	104	262
Video Subscribers (000)	248	255	266	268	268

* Dividends declared by SBC's Board of Directors; these amounts do not include dividends declared and paid by Southern New England Telecommunications Corporation and Pacific Telesis Group prior to their respective mergers with SBC.

** Includes acquisitions and Houston/Austin customers.

*** 1997 amounts represent SBC's historical interest in current international investments.

ATTACHMENT D

Investor Briefing

May 11, 1998 No. 200

SBC Communications and Ameritech to Merge

Creates National and Global Competitor: A New Kind of Telecommunications Company

SBC Communications Inc. and Ameritech Corporation have agreed to a $62 billion industry transforming merger that will create a new type of telecommunications company with a "national-local" focus combined with national and international service capabilities. The company will have the assets, scope and strategies to compete against incumbent local telecommunications companies, competitive local exchange carriers, long distance companies and global competitors.

"The merger will enable the new SBC to accelerate and expand telecommunications competition by entering 30 U.S. markets outside its traditional 13-state local region so that the combined company will serve customers in all the top 50 markets in the nation. In addition, the new company will build on its growing international presence to serve a worldwide market. We will provide a competitive, integrated mix of local, long distance, Internet and high-speed data services providing more choices, new and improved services, more competitive prices and more convenience for millions of consumers, giving us the opportunity to create significant value for our shareowners," said Edward E. Whitacre Jr., chairman and chief executive officer of SBC.

"This transaction will allow us to implement a 'national-local' strategy in which we will offer local services across the country in combination with major national and international operations," Whitacre added. "It will transform us from a regional company to a new kind of company that uses its premiere networks to focus on 'national-local' and global markets. We will then be positioned to compete head-to-head with incumbent local telephone companies, CLECs, long distance carriers and global competitors.

"We know we have the people, resources and the ability to make our new company an unqualified success for our customers, our employees, and our shareowners. We leap forward in terms of our ability to invest in new technology and become a leading player in the global market," said Richard C. Notebaert, chairman and chief executive officer of Ameritech.

> "This transaction will allow us to implement a 'national-local' strategy in which we will offer local services across the country in combination with major national and international operations" — *Edward E. Whitacre Jr., SBC chairman and CEO.*

Merger Synergies

Synergy	Yr 2003 ($ million)
Revenue	$ 750
Expense	$1,200
Capital	$- 250
Synergies — existing business	$2,200
Synergies — long distance	$ 300
Total synergies	$2,500

Merger Benefits

This merger will result in significant opportunities for revenue growth, technology development, cost savings and other synergy benefits that are expected to result in $1.4 billion of net income in the third year after closing. The savings and the growth that will be generated will allow SBC to grow EPS while investing aggressively in new businesses and out-of-region expansion.

The approach to obtaining the synergies in the existing businesses is likely to be similar to what was done with the Pacific Telesis merger and our experience gives us confidence that the above mentioned targets are conservative and achievable. This approach will include the following:

- Support functions will be combined where appropriate.
- Economies of scale will reduce costs.
- Duplicate expenditures will be avoided on new initiatives such as long distance and Internet.
- Best practices will be adopted in order to increase revenues and reduce expenses.
- More effective pursuit of new opportunities in business long distance, data and new services.

Long Distance Opportunity

There is a $300 million opportunity in long distance synergies in both revenues and costs. Revenue benefits are expected from improved market share in the large and medium-sized business segments. Cost synergies are expected as a result of an increased proportion of traffic carried within the new combined region and lower costs outside of the region as a result of greater volumes.

The merger is expected to dilute SBC's anticipated EPS by approximately 7% in 2000 and 3% in 2001 and become accretive beginning in 2002. Going forward the transaction and the out-of-region strategy will diversify our sources of earnings and establish a platform for sustainable future growth.

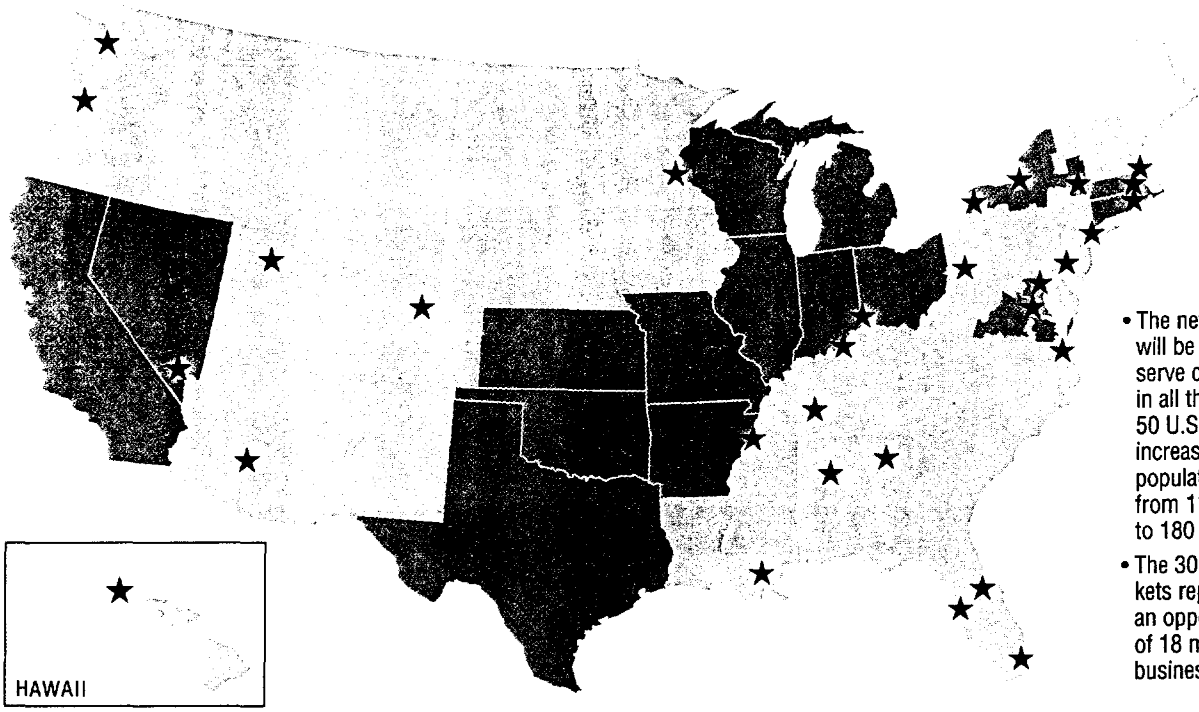
Size and Scope of the Combined Company (Based on 1997 Normalized Data)

	SBC	SNET	Ameritech	Combined Company
Revenues	$ 25.1 billion	$ 2.0 billion	$ 16.0 billion	$ 43.1 Billion
Net Income	$ 3.2 billion	$ 0.2 billion	$ 2.3 billion	$ 5.8 billion
Market Value (as of 5/8/98)	$77.9 billion	$4.8 billion	$48.3 billion	$131.0 billion
Domestic				
Access Lines	33.4 million	2.3 million	20.6 million	56.3 million
Wireless Customers	5.5 million	0.4 million	3.2 million	9.1 million
Wireless POPs	78 million	6 million	35 million	119 million
International				
Equity Access Lines	1.9 million	NA	2.9 million	4.8 million
Equity Wireless POPs	23.1 million	NA	7.0 million	30.1 million
Equity Wireless Subscribers	0.5 million	NA	0.7 million	1.2 million
Total Employees	118,340	9,743	74,359	202,442

Domestic Scope

★ potential scope

■ combined existing service areas; assumes inclusion of SNET



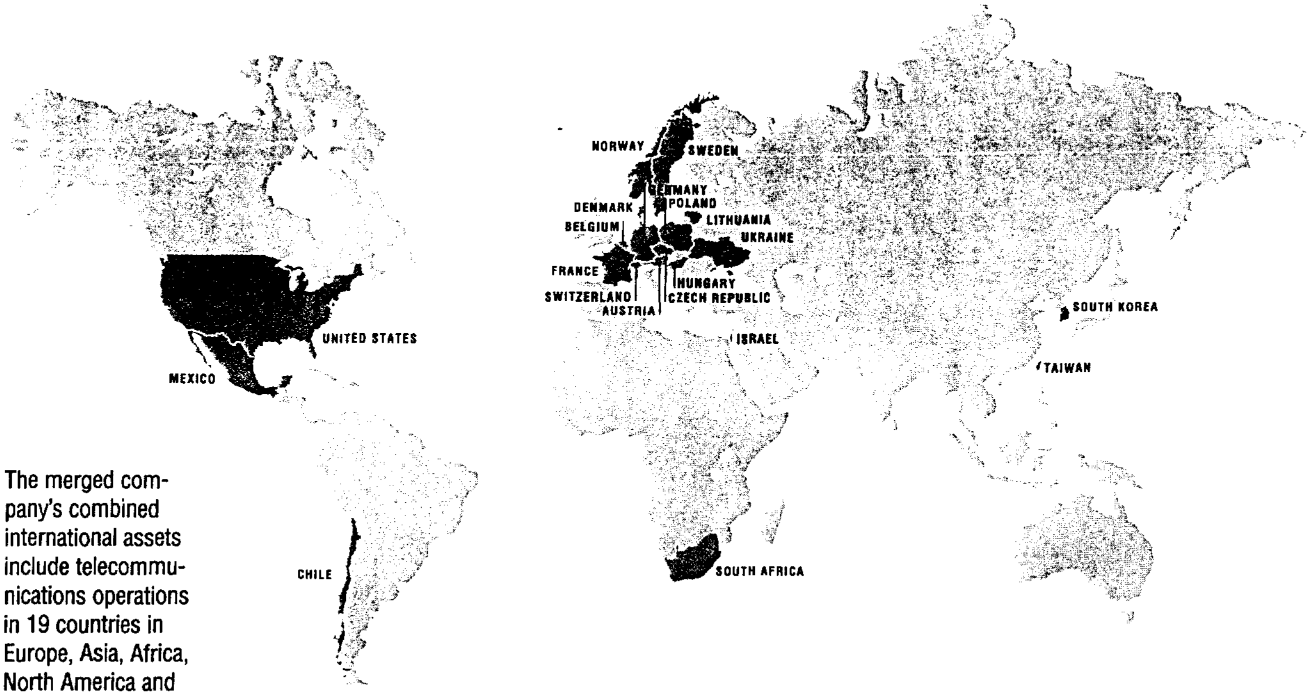
- The new company will be able to serve customers in all the top 50 U.S. markets, increasing the population served from 111 million to 180 million.
- The 30 new markets represent an opportunity of 18 million business lines.

The combined company will have the resources to compete successfully in the existing service area as well as in markets outside of their traditional areas. It will have 56 million access lines and approximately 50 percent of the Fortune 500 headquarters in the 13 wireline states.

The combined company will have 119 million "pro forma" wireless POPS in 17 states with a presence in 11 of the top 20 MSAs (Metropolitan Statistical Areas). Since Federal law prohibits ownership of overlapping wireless licenses, the companies will divest certain cellular properties. The overlapping assets cover approximately 11 million net POPS, primarily in the Chicago and St. Louis areas. A variety of disposition alternatives will be examined which may provide opportunities to get even bigger.

The combined company will also realize the vision of the Telecom Act by offering consumers a choice when it begins competing in 30 new markets outside its existing domestic wireline areas. The plan is to provide business and residential customers with a full range of services on a national basis, representing a significant new growth opportunity for the new entity.

International Scope



The merged company's combined international assets include telecommunications operations in 19 countries in Europe, Asia, Africa, North America and South America.

The changing regulatory and international business environment creates many new global opportunities. The combined company will be even better positioned to pursue these opportunities than either company would have been alone.

SBC and Ameritech have complementary international investments which will give the merged company a telecommunications presence in 19 countries outside the United States with a portfolio valued in excess of $14 billion. When you combine these international assets with the extensive domestic presence, the merged company is in a position to follow its business customers wherever they go and deliver local, long distance and high-speed data services.

International Profile — SBC

Country	Investment	Services
Mexico	9.6 % equity stake in Teléfonos de México	Local, wireless, long distance
France	15 % equity stake in Cegetel	Local, wireless, long distance
Switzerland	40 % equity stake in diAX	Long distance, wireless license just acquired
Chile	44.1 % equity stake in VTR S.A.	Local, long distance, cable TV
South Africa	18 % equity stake in Telkom South Africa	Local
South Korea	7.8 % equity stake in Shinsegi Mobile Telecomm Inc.	Wireless
Taiwan	20 % equity in TransAsia Telecommunications	Wireless
Israel	50 % equity stake in AUREC Group 35.9 % equity stake in AMDOCS 22 % equity stake in consortium offering long distance	Cable TV, publishing, billing and customer service software, long distance

International Profile — Ameritech

Country	Investment	Services
Belgium	17.5 % equity stake in Belgacom	Local, wireless, long distance, directory, security services
Denmark Austria Czech Republic Germany Lithuania Poland Sweden Ukraine	41.6 % equity stake in Tele Danmark	Local, wireless, long distance, directory, security services, cable TV
Hungary	29.8 % equity stake in MATAV	Local, wireless, long distance, directory, cable TV
Norway	19.7 % in equity stake in NetCom	Cellular
Throughout Europe	100 % ownership of WLW	Business-to-business advertising

SBC Communications	
Name	SBC Communications Inc.
Profile	SBC is among the largest telecommunications companies in the United States, with 34 million access lines and more than 78 million potential customers across the country. The company serves the nation's most populous states — California and Texas — as well as seven of the country's 10 largest metropolitan areas and 16 of the top 50, and selected markets outside the U.S., including Mexico, Chile, South Korea, France, South Africa, Switzerland, Israel and Taiwan. More than 50 percent of all calls to Mexico originate in the territory of the company. SBC's broad operations provide customers an expansive range of services and products including, voice and data telephone services; wireless communications, including long-distance; Internet access; telecommunications equipment; voice mail; and directory advertising.
Rankings	SBC was rated the world's most admired telecommunications company in a survey by *Fortune* in 1997, the first global reputation ranking published by the magazine. SBC was voted the most admired U.S. telecommunications company in *Fortune* magazine's 1996, 1997 and 1998 rankings.
Employees	The company has more than 118,000 employees.
Brands	SBC offers products and services under some of the strongest brands in the industry: Southwestern Bell, Pacific Bell, Nevada Bell and Cellular One.
Headquarters	SBC's corporate headquarters are located in San Antonio, Texas.
Leadership	Mr. Edward E. Whitacre Jr., is chairman and chief executive officer
Revenues	1997 revenues — **$25.1 billion**
Earnings	1997 earnings — **$3.2 billion**
Market Value	**$77.9 billion** (as of 5/8/98)
Access Lines	**34 million**
Wireless Customers	**5.6 million**

Ameritech	
Name	Ameritech Corporation
Profile	With a market value of roughly $50 billion, Ameritech is one of the world's largest and most successful communications companies. Ameritech offers one of the industry's most complete full-service communications packages including local and long distance telephone, cellular, paging, security services, cable TV, Internet access, directories and more.
Employees	The company has 74,000 employees.
Brands	The company offers products and services under the following brands: Ameritech; Illinois Bell, Indiana Bell, Michigan Bell, Ohio Bell and Wisconsin Bell; Ameritech Pages Plus; Ameritech Internet Yellow Pages; Ameritech Capital Services; americast; SecurityLink; Ameritech GlobalDesk.
Headquarters	Ameritech is headquartered in Chicago, Illinois.
Leadership	Mr. Notebaert is chairman and chief executive officer.
Revenues	1997 revenues — **$16 billion**
Earnings	1997 earnings — **$2.3 billion**
Market Value	**$48.3 billion** (as of 5/8/98)
Access Lines	**20.6 million** in Illinois, Michigan, Ohio, Wisconsin and Indiana
Cellular Customers	**3.2 million**, with an annual growth rate of 23.5 percent.
Security Customers	**1.1 million** — the second largest U.S. provider and the largest provider in Canada.

Terms of the Merger Agreement

Overview	The transaction will be a tax-free, stock-for-stock merger with pooling-of-interest accounting.
Exchange Ratio	Under a fixed exchange ratio, shareowners of Ameritech will receive 1.316 shares of SBC common stock for each of their shares. Based on the value of SBC's closing stock price on May 8, 1998, of $42 3/8, this will represent a value of approximately $55.77 for each Ameritech share.
Valuation	The purchase represents approximately a 27 percent premium to Ameritech's closing price on May 8, 1998, of $43 7/8 per share. The merger gives Ameritech a total equity value of $61.8 billion and an enterprise value, including debt, of $71.0 billion.
Ownership	Before taking into account SBC's previously announced Southern New England Telecommunications (SNET) acquisition, SBC's existing shareowners would hold approximately 56 percent of the combined company and Ameritech's shareowners would hold 44 percent. Pro forma ownership of the combined company on a post-SNET merger completion basis would be about 57.5 percent ownership by SBC shareowners and 42.5 percent ownership by Ameritech shareowners.
Timing	SBC and Ameritech hope to complete the merger by mid-year 1999. The merger must be approved by the Public Utilities Commissions in Ameritech's regions, other local regulators and the Federal Communications Commission. The U.S. Department of Justice will review the transaction to determine if any anti-trust concerns exists. Some European countries will conduct their own reviews.
No-Shop Provisions	Under provisions of the merger agreement, Ameritech may not solicit other potential acquirers

SBC InvestorBriefing

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ATTACHMENT E

Investor Briefing

March 26, 1997

No. 184

SBC Communications & Telekom Malaysia Berhad Finalize Agreement for 30% Stake in Telkom South Africa

Transaction Represents the Largest Privatization in Sub-Saharan Africa to Date

A consortium of SBC Communications and Telekom Malaysia Berhad has finalized an agreement with the government of South Africa to purchase a 30 percent stake in Telkom South Africa.

The transaction, expected to be completed in the second quarter, represents the largest privatization in sub-Saharan Africa to date, valued at US$1.261 billion. SBC's stake is held through SBC International Inc. (SBCI).

"We believe South Africa is an excellent market which offers high potential for long-term growth for SBC," said Edward E. Whitacre Jr., chairman and chief executive officer of SBC Communications. "South Africa's regional importance, expanding economy and stable political environment, coupled with the high levels of pent-up demand for telecommunications services, make it a very attractive opportunity. Further, we do not expect this investment to suppress SBC's short-term earnings."

The South African Market

Whitacre said that with more than 41 million residents, South Africa represents a market about one-and-a-half times the size of Southwestern Bell's five-state service territory of Arkansas, Kansas, Missouri, Oklahoma and Texas. Telkom reported US$3.2 billion in revenues and US$314 million in net income for the fiscal year ended March 31, 1996.

"We are delighted at securing this investment from both a commercial and developmental perspective," said Mohamed Said Mohamed Ali, Telekom Malaysia's chief executive. "This is clearly the jewel in the crown of African investments and complements our current investments in Malawi, Guinea and Ghana."

Mohamed Said echoed Whitacre's confidence in the high levels of pent-up demand for basic services in South Africa as well as the sound investment this affords. Additionally, Malaysia's experience in affirmative action across all sectors of the economy positions the company well for the task ahead in South Africa.

Currently the telephone penetration level is only 10 percent among historically disadvantaged households, a group which constitutes 87 percent of the population. Since apartheid ended in 1994, South Africa's growing population, expanding economy and stable government has increased demand for telecommunications services. Additionally, the South African economy is projected to grow from 2.5 percent to 4 percent annually in real terms over the next several years, with a stable inflation outlook.

Aggressive Roll-out Plan

The winning proposal by SBCI and Telekom Malaysia includes an aggressive plan to expand telecommunications services throughout South Africa and conduct a comprehensive modernization of the existing network. The consortium will support Telkom South Africa in the enhancement of all areas of its business operations.

Telkom South Africa currently has a license to provide local service and domestic and international long distance throughout South Africa. In addition, Telkom owns a 50 percent stake in Vodacom, one of two cellular service providers.

As of the end of 1996, Telkom South Africa had approximately 4.1 million access lines. The consortium's commitment includes meeting all consumer and business demand for basic landline and long distance telephone service by 2002, the year Telkom South Africa gives up its exclusive franchise. This includes a commitment to install 2.7 million lines and 120,000 payphones. The consortium also will replace all 1.25 million existing analog lines with digital lines.

Additionally, new service will be provided to more than 20,000 priority customers to be identified by the government of South Africa, including hospitals, schools, community centers and government facilities.

Meeting Telkom Goals

The consortium will also implement a comprehensive employee and management training program, transferring the skills, knowledge, expertise and technology necessary for Telkom South Africa to evolve into a world-class telecommunications company.

"We look forward to rapidly accelerating the availability of telecommunications services throughout South Africa, especially among historically disadvantaged groups," said Whitacre.

"There are currently millions of South Africans without access to basic telecommunications services, including numerous hospitals and schools," Whitacre said. "We believe SBC and Telekom Malaysia's depth of resources and successful experience gained in other developing global markets will help us lead this historic effort."

"Telekom Malaysia also brings unique experience, completing its own successful privatization in 1990, including pioneering the use of wireless local loop for rural roll-outs of service to under-serviced and areas with low population density," said Mohamed Said. The company has extensive experience simultaneously managing high growth in basic services as well as deploying an advanced network for business services.

Ownership Structure

The consortium, 60 percent owned by SBCI and 40 percent by Telekom Malaysia, will hold the 30 percent stake through a newly created entity, Thintana Communications. SBCI's investment will be $757 million of the $1.261 billion consortium offer, with Telekom Malaysia's $504 million. The consortium will assume an active role in the management of Telkom, appointing five of the 15 directors and retaining significant influence over business plans, budgets and the network roll-out. SBCI and Telekom Malaysia will also appoint key managers, including the chief operating officer, chief financial officer and chief technical officer.

SBC Communications Inc. is one of the world's leading diversified telecommunications companies. SBC provides innovative telecommunications products and services under the Southwestern Bell and Cellular One brands. Its businesses include wireline and wireless services and equipment in the U.S. and interests in wireless businesses in Europe, Latin America, South Africa and Asia; cable television in both domestic and international markets and directory advertising and publishing. SBC reported 1996 revenues of US$13.9 billion.

Telekom Malaysia has moved to the forefront of the global telecommunications industry since its privatization in 1990 and is today the largest publicly listed corporation in Malaysia. It successfully operates in highly competitive markets, providing domestic and international services in wireline and wireless communications. The company also has successful investments in developing countries such as Malawi, Guinea, Ghana, Sri Lanka, India, Bangladesh and Cambodia. Telekom Malaysia reported 1996 revenues of approximately US$2.6 billion.

TELECOMMUNICATIONS OPPORTUNITIES IN SOUTH AFRICA

South Africa Profile

- Real GDP up 3.3% in 1995; projected to grow at annual rates of 2.5% to 4% through 1998
- Annual inflation rate last three years between 8% and 10% after exceeding 15% five years ago
- Population of 41.4 million expected to grow to about 45.6 million in 2000 and to 47.9 million in 2005. Currently it is about 65% urban.
- 4.1 million access lines at 1996 year-end

Economic and Political Overview of South Africa

With the end of apartheid in 1994, South Africa's economic growth accelerated and foreign investment resumed. Economic and social change has continued at a steady pace. Housing starts are up considerably after a slow start, electrification is expanding rapidly, and school integration is proceeding well.

Current economic policy concentrates on growth, job creation and stricter fiscal discipline. The government is committed to reducing its spending and debt. Restructuring public sector assets, as it is doing in finding a strategic equity partner for Telkom, helps accomplish that goal.

Nelson Mandela's African National Congress (ANC) party won South Africa's first all-race democratic election in April 1994 when the nation abandoned its policy of racial separation. The country has adopted a constitution which reinforces the new leaders' democratic preferences. An avowed goal of the ANC government is to shift the nation's wealth and power structure to better reflect the demographics of a population that is 87% black and officially recognized as disadvantaged.

The ANC is expected to continue in power after Mandela's term ends in 1999. The next president is likely to be Thabo Mbeki, now Deputy Vice President and running the day-to-day affairs of government. He is a centrist in the ANC and a believer in free market economics and the importance of foreign investment.

Among the far-reaching changes sweeping across South Africa in recent years, crime has been a major societal concern. With the support of the central government and the ANC's commitment to use the army to help the police, it appears the situation has stabilized. The ANC also is instrumental in changing the role of labor unions. Many government officials come from the unions, and most of the unions' key leaders understand how economic markets work. They realize that being equity owners as well as laborers is key to the nation's economic transformation.

Key Elements of the Agreement with Telkom South Africa

- SBC International and Telekom Malaysia own 30% stake in Telkom South Africa, worth $1.261 billion.

— SBCI's 18% stake represents $757 million investment

— Telekom Malaysia's 12% stake represents $504 million investment

- Consortium appoints 5 of 15 directors and key managers and leads the Operating Committee, which has authority over the development of the business plan and annual budget, training program, management structure and network build-out
- Comprehensive build-out and modernization program

— $1 billion of purchase price funds to be used to begin modernization and build-out and reduce Telkom debt

— Remaining modernization and build-out to be financed through internally generated funds and additional debt capacity

- First five years, no competition in local exchange and long-distance (domestic and international) segments. After that, a transition to competition in the form of a duopoly.
- 25-year renewable license
- Price cap regulation with a low productivity offset for three years. New productivity offset to be set at the end of the third year for the remaining two years of the exclusivity period.
- In preparation for competition, price cap allows for rate rebalancing over the five years of exclusivity. The rebalancing will increase local service rates and lower long distance rates.
- Either the government or the consortium may trigger an initial public offering after the five-year period of exclusivity

Telkom Malaysia

SBC's Strategic Equity Partner in the Investment in Telkom South Africa

- 62% owned by the Malaysian government, rest publicly held
- FY96 net income US$314 million
- Market capitalization of nearly US$16 billion

SBC Investor Briefing

SBC Investor Briefing is published by the Investor Relations staff of SBC Communications Inc. Requests for further information may be directed to one of the Investor Relations managers by phone (210-351-2044) or fax (210-351-2071).

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ATTACHMENT F

Investor Briefing

April 5, 1996 No. 178

SBC and Pacific Telesis Group Announce Merger That Will Create Nation's Second Largest Telecommunications Company.

On April 1, 1996, SBC Communications Inc. and Pacific Telesis Group announced a definitive agreement to merge into a single company uniquely positioned to thrive in the new, dynamic telecommunications industry.

The merger, the first of its kind between two former Bell System companies, combines two outstanding telecommunications companies into a single corporation serving the nation's two most populous states — California and Texas — seven of the country's 10 largest metropolitan areas and 16 of the top 50 markets. The companies serve over 30 million access lines in high growth areas and have access to nearly 90 million potential wireless customers across the country.

The company will be known as SBC Communications Inc. with Edward E. Whitacre Jr. serving as chairman of the board and chief executive officer. Phil Quigley will be vice-chairman of the board and second in command; he will continue to operate the successful exchange operations in California and Nevada. After the merger, members of the Pacific Telesis board will be asked to join the SBC board so that they will constitute approximately one-third of the expanded board.

The combined company will offer products and services under some of the strongest brands in the industry — Southwestern Bell, Pacific Bell, Cellular One and Nevada Bell. Locations served span the nation and include attractive and growing markets such as Boston, Chicago, Dallas, Houston, Los Angeles, St. Louis, San Diego, San Francisco, and Washington, D.C.

> **"This merger will combine two of the best telecommunications companies in the world into a strong company truly prepared to meet the challenges of the 21st century. It is a dynamic combination that will benefit our customers, shareholders and employees."**
>
> ***Ed Whitacre Jr.***
> ***Chairman of the Board***
> ***and Chief Executive Officer***

Broad Coverage of North America

SERVING SEVEN OF TOP 10 U.S. MARKETS

Los Angeles
Chicago
Washington / Baltimore
San Francisco / Oakland / San Jose
Boston
Dallas / Ft. Worth
Houston

Upon completion of the transaction, SBC will have more than 100,000 employees, revenues of over $21 billion, operating cash flow of $9 billion and income of almost $3 billion. The merger creates the nation's second largest telecommunications company in terms of market value.

"This merger will combine two of the best telecommunications companies in the world into a strong company truly prepared to meet the challenges of the 21st century," said Whitacre, chairman and chief executive officer, SBC Communications Inc. "It is a dynamic combination that will benefit our customers, shareholders and employees."

The merger is partially a product of the changes occurring in the telecommunications industry. The recent landmark federal legislation opens up tremendous new business opportunities for the combined companies and changes the core telephone industry into a much more competitive business.

"In this new competitive environment, customer satisfaction, a strong market presence, efficient and lower-cost operations, a substantial financial base quality and new, innovative services will be crucial to success in the marketplace," said Quigley, chairman, president and chief executive officer, Pacific Telesis Group. "We believe this merger will enhance our ability to deliver what customers want."

The merger involves an exchange of stock with current Pacific Telesis stockholders receiving SBC stock. Based on the average of SBC's closing stock prices last week, this implies a value of approximately $39 for each Pacific Telesis share. The exchange ratio has Pacific Telesis shareowners receiving 0.733 shares of SBC common stock for each of their shares subject to certain adjustments. For example, a Pacific Telesis shareowner holding 1,000 shares of stock would receive 733 shares of SBC stock. After the tax-free exchange, 66 percent of the combined company's stock will be retained by SBC shareholders and 34 percent held by Pacific Telesis investors.

Global Reach of New Company

MARKETS

Operating with an equity ownership stake in Europe, Latin America, Asia, Africa, and Australia. These businesses serve areas with a total population of 250 million (does not include U.S.).

BUSINESSES

Wireless: Mexico, France, Chile, South Africa, South Korea.

Local and Long Distance: Mexico, Chile, United Kingdom.

Video Services: United Kingdom, Mexico, France, Chile, Israel.

Directories: Israel, Australia.

Pacific Telesis will initially maintain its first quarter dividend of 54.5 cents per share, payable May 1 to shareowners of record on April 9. As part of the terms of the agreement, Pacific Telesis will reduce its second quarter dividend to 31.5 cents per share, which is expected to be paid August 1.

Strategically, the merger is expected to create a telecommunications company with an unparalleled focus on the growing Latin American and Asian markets and enhance the combined company's ability to successfully compete in the $75 billion U.S. long-distance market. In addition to sharing strong inter-region traffic, both companies are connected to Mexico. More than 50 percent of all international traffic to Mexico, where SBC has a strategic business presence and partnership with Telmex, and 20 percent of all international traffic to Asia originates in locations where the companies have network facilities. SBC's relationship with Mexico and Latin America, and Pacific Telesis' Pacific Rim focus will allow strong marketing to diverse populations in the merged company's markets.

The company plans to take advantage of SBC's proven strength in product development, marketing and sales and Pacific Telesis' network engineering skills, efficiency in process management and cost

Size and Scope of the Combined Companies

1995	PAC	SBC	Combined
Revenues	$9.0 billion	$12.7 billion	$21.7 billion
EBITDA*	$3.9 billion	$5.2 billion	$9.1 billion
Net Income*	$1.0 billion	$1.9 billion	$2.9 billion
Market Value	$12.0 billion	$33.0 billion	$45.0 billion
Total Employees	47,800	59,300	107,100
Total Access Lines	15.8 million	14.2 million	30.0 million
Wireless POPs	33 million	82 million	115 million

*EBITDA and Net Income are before extraordinary or non-recurring items.

containment. Consumers will benefit from the merger through the integration of the two companies' resources and skills, which will promote competition and enhance the development of new, competitively-priced telecommunications, entertainment, information and interactive products and services.

While the corporate headquarters will be in San Antonio, Texas, the company will maintain headquarters of Pacific Bell and Nevada Bell in California and Nevada. In addition, a new company will be headquartered in California to provide integrated administrative and support services for the combined companies. California will be the headquarters location for the company's long distance company, Internet company and international operations. The combined company is committed to creating at least 1,000 jobs in California over what would otherwise have been the case if the merger had not occurred.

The combined company's wireless headquarters will be located in Dallas.

"This historic merger is about growth — growth in jobs, markets and services to our customers," Whitacre said. "It is not about downsizings or reduced employment opportunities. We see the future of this industry offering tremendous opportunities, and this merger positions the company to realize these opportunities for our stakeholders."

The parties hope to complete the transaction by the end of the year. It must be approved by the California Public Utilities Commission, the United States Department of Justice and the Federal Communications Commission. Given the pro-competitive effects of the merger and the fact that the two companies are not competitors in the local exchange, long distance or wireless markets, this merger is not expected to raise any serious antitrust or competitive issues.

Ed Whitacre Jr.
Chairman of the Board and Chief Executive Officer

SBC Communications Inc.

Profile

SBC Communications Inc. is one of the world's largest diversified telecommunications companies, with more than 16.7 million customers world-wide at year end 1995. SBC is the second largest wireless company in the United States, with more than 3.7 million customers in 62 markets, including seven of the nation's 20 largest. SBC's broad operations provide customers an expansive range or services including voice, video and data telephone services; wireless communications, including long distance; telecommunications equipment; voice mail; directory advertising; and cable television.

Headquarters

San Antonio, Texas

Employees

59,000

1995 Revenues

$12.7 billion

1995 Earnings

$1.9 billion

Rankings

Ranked 30 in the Business Week 1000 list of U.S. corporations ranked by market value (March 25, 1996 issue). Ranked number one in Fortune magazine's 1996 list of the United States' "most admired" telecommunications companies.

Markets

SBC's business serve three major market areas:

In Region

SBC's Southwestern Bell operations serve customers across Texas, Missouri, Oklahoma, Kansas and Arkansas—a population area of 27 million—with 14.2 million telephone access lines. The combined GDP growth of this region has outpaced that of the nation over the last three years. Texas, which accounts for about 60 percent of Southwestern Bell's access lines, is the United States second most populous state (behind California) and has created more new jobs than any other state in the nation the last three years.

Out Region

SBC's Cellular One operations serve markets with a total population of more than 26 million. These include the major metropolitan areas of Chicago, Boston, Baltimore, and Washington, D.C. They also include a broad area spanning upper New York state, from Albany to Buffalo.

International

SBC's international businesses include more than 10 percent ownership of Telmex, Mexico's national telecommunications company, and sizable equity investments in France, Chile, South Africa, Israel, South Korea and Australia. These businesses serve a total population of 250 million.

Phil Quigley
Chairman, President and Chief Executive Officer

Pacific Telesis Group

Profile

Pacific Telesis Group serves customers in California and Nevada, with 15.8 million telephone access lines and providing a single source for telecommunications needs ranging from local telephone service; advanced networks for businesses; voice mail and other information services; Internet access services; network integration services linking computers and local and wide-area networks; and directory advertising.
In addition, Pacific Telesis Group owns PCS licenses that will allow it to offer wireless communications services throughout California and Nevada. The company's first PCS service is expected to be commercially available by January 1997.

Headquarters

San Francisco

Employees

49,000

1995 Revenues

$9.0 billion

1995 Earnings

$1.0 billion

Rankings, Honors

Ranked 101 in the Business Week 1000 list of U.S. corporations ranked by market value (March 25, 1996 issue).

In December 1995, Pacific Bell won the 1995 Governor's Golden State Quality Award, California's highest recognition for quality business practices.

Markets

Pacific Telesis' Pacific Bell subsidiary serves approximately 75 percent of the 31 million residents in California, the nation's most populous state with the world's seventh-largest economy. The Nevada Bell subsidiary serves about one-third of that state's two million population including the Reno area. Combined, these two subsidiaries provide nearly 15.8 million access lines, with a growth of business lines of 4.9 percent in 1995. Recent and pending acquisitions for wireless digital television licenses will enable the corporation to reach seven million homes in 1997. Pacific Bell Directory, a $1 billion-a-year business, prints 35 million directories annually and is the most widely used yellow pages in California.

Terms of the Merger Agreement

Overview

Transaction will be a tax-free stock-for-stock merger, a type-B reorganization with pooling-of-interests accounting.

SBC will be the public entity. The corporate headquarters will be in San Antonio, Texas. Pacific Bell and Nevada Bell headquarters will remain in place and several key operating units will be headquartered in California.

Exchange Ratio

Based on the average of SBC's closing stock prices last week, this implies a value of approximately $39 for each of Pacific Telesis' share. The exchange ratio has Pacific Telesis shareowners receiving 0.733 shares of SBC common stock for each of their shares subject to certain adjustments.

Valuation

The implied purchase price is approximately $39 a share, roughly a 40 percent premium to the Pacific Telesis Group's stock recent market price and a 10 percent premium to its January 1996 high. This results in a total equity value of $17 billion and an enterprise value — including debt — of $23.8 billion.

Ownership

Pro forma ownership of the combined company would have 930 million shares outstanding — 610 million (or 66 percent) owned by SBC shareowners and 320 million (or 34 percent) owned by Pacific Telesis Group shareowners.

Dividends

Pacific Telesis Group will initially maintain the first quarter dividend of 54.5 cents, which will be paid May 1 to shareowners of record on April 9. As part of terms of the merger Pacific Telesis will reduce its second quarter dividend to 31.5 cents per share, and expects to pay it on August 1.

Schedule

The proposed merger requires approval by the California Public Utilities Commission, by the Federal Communications Commission and by the Department of Justice. Both parties hope to complete the transaction by the end of the year.

No-Shop Provisions

The merger agreement contains provisions stating that Pacific Telesis Group may not solicit other potential acquirers.

SBC InvestorBriefing

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Southwestern Bell Corporation

Investor Briefing Bulletin

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SOUTHWESTERN BELL, INTERNATIONAL PARTNERS WIN CONTROLLING INTEREST IN TELMEX

[Southwestern Bell Corporation is pleased to be a partner in the consortium selected to purchase a controlling interest in Telefonos de Mexico. There is no expected dilution to Southwestern Bell earnings as a result of this transaction. Except for the initial purchase price, Southwestern Bell has no further capital requirements under the terms of the acquisition. The full text of the press release announcing this transaction follows.]

ST. LOUIS, December 9, 1990 -- A consortium which includes a Southwestern Bell Corporation subsidiary and two other international companies has been selected by the government of Mexico to purchase a controlling interest in Telefonos de Mexico (Telmex). Announcement of the winning consortium was made today by the Mexican government after an extensive bid competition.

Southwestern Bell's International Holdings unit partnered with Grupo Carso -- a diversified Mexican business group -- and with France Telecom to acquire 20.4 percent of Telmex which represents 51 percent of the voting shares. The winning bid totaled $1.758 billion, which includes the purchase price paid at closing and a share of dividends paid over the next 27 months.

"Telmex represents a tremendous growth opportunity and this is a key international extension for us," said Ed Whitacre, chairman and chief executive officer of Southwestern Bell Corporation. "President Carlos Salinas de Gortari has done a remarkable job in Mexico with his modernization programs, and the outlook for his country's economy is bright. This acquisition represents the confidence we have in Mexico itself and in the long-term potential of the Mexican telecommunications market."

As specified by the Mexican government's bidding rules for Telmex, the consortium includes at least 51 percent Mexican ownership. Grupo Carso's majority portion of the purchase will be $859.6 million, and France Telecom's investment will be $412.2 million.

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Southwestern Bell's portion of the acquisition will total $485.8 million, which includes the purchase price paid at closing and an option to purchase an additional five percent of Telmex. Southwestern Bell intends to finance its portion of the acquisition through a combination of available cash and debt.

"We are very pleased to work with such internationally renowned partners as Grupo Carso and France Telecom to improve and extend communications for our southern neighbor," said Whitacre. "Southwestern Bell also is proud to play a role in enhancing the trade and business exchange between the United States and Mexico with such a major transaction."

Telmex is roughly one third the size of Southwestern Bell's domestic telephone operations in terms of assets, revenues and telephone lines served. Telmex last year reported assets of $7.4 billion, revenues of $2.2 billion and a total of 4.7 million access lines. However, one of the key aspects of this opportunity is the growth potential for a wide range of telecommunications products and services.

An illustration of the growth prospects for Telmex is its population service base of 81 million people. That is about two and one-half times the 30 million people in the states of Texas, Missouri, Oklahoma, Arkansas and Kansas where Southwestern Bell provides local telephone service.

In addition to providing local telephone service, Telmex markets national and international long-distance services, as well as directory, paging and cellular phone service throughout Mexico. Telmex has been aggressive in utilizing new technologies, including digital switching which now accounts for approximately 20 percent of its switching systems.

Grupo Carso, led by Mexican entrepreneur and industrialist Carlos Slim, is a diversified business group with holdings throughout Mexico and with annual consolidated revenues of $1.5 billion. Grupo Carso's businesses include enterprises in mining, manufacturing, tobacco, paper products and retailing. Grupo Carso's international partnerships include ventures with several leading U.S. companies such as Hershey's, DuPont, Philip Morris and B.F. Goodrich.

Southwestern Bell's other partner is France Cables et Radio, a subsidiary of France Telecom. France Telecom rapidly developed France's telephone system from 4 million telephone lines in 1971 to 28 million today. France Telecom, with annual revenues of $20 billion, is also a leader in deploying digital technology and in providing information services.

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